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[*Mr. Dadabhoy.*]

"My Lord, on two matters connected with the industrial development of the country the people feel strongly. There is a growing feeling among educated Indians that India needs protection, and that not only against foreign countries, but against England as well. It behoves Government to take note of this sentiment of an Eastern nation. I do not here enter into an elaborate examination of the perennial controversy of Free Trade and Protection. Discussion of abstract principles does not help much. But facts, the commercial history of advanced countries, all point to the conclusion that protection at a certain stage encourages development, and does not necessarily increase the price of the article taxed. A large body of Anglo-Indian opinion favours protection, and practical and responsible statesmen like Lord Minto and Sir Edward Baker, according to newspaper report, are distinctly of opinion that protection is necessary for the industrial development of India. Sir Edward Baker is reported to have said :

'I would give them a protective tariff. I would encourage the establishment of factories and favour them in every way as to the making of goods for India in competition with those of Europe, Japan and other parts of the world. What India needs is industrial development, and a protective tariff would bring that about. As it is, we are tied up by the manufacturing industries of Great Britain. We can levy no duties to speak of upon our own imports of cottons. We once had a tariff of 5 per cent., but the Manchester mill men objected, saying that it ruined their trade. They demanded that an excise-duty be added to equalise our competition, and the result was that the duty was reduced to 3½ per cent., that amount being levied on all goods made in India. Do you wonder that the Natives object? A protective tariff would foster our industries, and we could in time build up a mighty industrial empire.'

"It is not thus a visionary ideal for which the people clamour. Is it too much for us to expect Government to move in the matter with spirit? It will be impossible to thoroughly conciliate the people until a proper and adequate system of protective tariff is introduced.

"My Lord, the people are equally keen on the subject of fiscal autonomy for India. We want this Government to have a free hand in the determination of the fiscal policy. The feeling is that, in the existing state of things, Indian interests are subordinated to those of England, and past experience shews that so long as our special interests do not receive independent treatment at the hands of the Government of India, there is small chance of any large industrial development. Fiscal autonomy is as much of a necessity as protection, and inasmuch as we cannot have a tariff of our own without Government having perfect freedom of action, it is more imperative than any measure of tariff reform. My Lord, we implore Government to concentrate their energies upon this important reform.

"My Lord, the Government decision on the subject of pioneering of industries by the State has been received with disappointment by the people. It is difficult to understand why this Government should not take measures which have yielded excellent results in advanced countries like Japan. Here, again, the action of the Secretary of State is liable to misconstruction. The impression that a fond regard for English mercantile interests has prevented that statesman from taking an independent and unprejudiced view, should be removed, and that as early as possible.

"My Lord, the most pleasing item of expenditure in the whole Budget is the provision made next year for the reception of Their Imperial Majesties the Emperor and Empress of India for their Coronation on the sacred soil of Hindustan. I can conceive of no expenditure which will prove more remunerative in the long run. The Coronation will be a great historical event, binding more firmly than ever to their beloved Sovereign a people, highly emotional and deeply religious, to whom the Ruler is God's vicegerent on earth. My Lord, it is a great thing for them to realise that their Sovereign feels such an abiding interest in this distant dependency that, at great personal sacrifice, he comes this long way to receive the homage which is his just due. The country has been stirred to its inmost depths at the happy news.

"My Lord, before I close I must refer to another subject, though of a sad character—I mean the serious accident which has befallen Earl Crewe. His Lordship's appointment as Secretary of State for India in succession to Lord Morley was received in India with a genuine sense of pleasure and hope. We

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expected much from him. Acting in perfect harmony with Your Excellency, he would have exerted a benevolent influence upon the administration, would have developed the reforms initiated by his illustrious predecessor, and would have given Your Excellency ample scope and adequate facilities for that work of conciliation which Your Excellency has so much at heart. My Lord, with Lord Crewe as Secretary of State for India and Your Excellency as Viceroy, we looked forward, with the liveliest feelings of hopefulness and confidence, to a continuity of that happy combination to which, on a memorable occasion, Lord Morley attributed all the success of the last five years' administration. But, alas, our calculations have, for the time being, been upset. Now the united prayer of the nation goes up to the Almighty Father for Lord Crewe's early restoration to his former vigour and a successful career in the India Office."

The Hon'ble MAUNG BAH TOO: "My Lord, since the present Provincial Settlement came into force in 1907-1908 it has gradually become evident that the results of it were not those anticipated by the Government of India at the time the settlement was framed. Partly owing to over-estimates of the receipts at that time and partly owing to the growth of the revenue since proving to be less than was assumed, the Province of Burma has not had at its disposal the funds which it was expected would be available. On the other hand, it was a Province so ill-equipped as compared with other Provinces of the Indian Empire that a large amount of expenditure was imperatively called for to provide it with the most ordinary communications and accommodation. Instead, however, of being in a position to undertake such works, owing to the miscalculations of the settlement figures, Burma has in fact been engaged for the last three years in strenuous efforts to meet the most necessary demands by forcibly restricting its expenditure in almost every direction. It seemed likely that this would continue during the year 1911-1912, for at the time the Budget was first sent up the allotments had again been unduly reduced, and even with that the provision for public works was considerably below the sum taken as the standard figure at the time of settlement. But fortunately the Government of India has now admitted the seriousness of the situation and recognised that the cause of it was not extravagance on the part of the Burma Government, but simply the miscalculations which had resulted in forcing on the Province an inequitable settlement which allowed us insufficient funds for administration. Being also in a position this year to come to the assistance of Provincial Governments with subventions from Imperial funds, the Government of India has been pleased to contribute forty lakhs to aid the Provincial balances of Burma and to enable more provision to be made for expenditure on Education and Sanitation. For this contribution I desire to express the thanks of the Province. As a measure of immediate relief it is most welcome and has alleviated for a time a situation that had become impossible. But I trust that I am correct in saying that the Government of India do not themselves regard it as a solution of our difficulties. The Lieutenant-Governor had represented that an expenditure of forty lakhs a year for five years in addition to the funds already at his disposal under the settlement was necessary as the immediate measure of relief, to be followed or accompanied by a generous revision of the terms of the settlement. In so far as the grant of forty lakhs may be taken as the first instalment of such a contribution, I have nothing to complain about it, although the Lieutenant-Governor might well have been left a freer hand as to the objects on which it was to be expended. But no guarantee has yet been given that the contribution will be repeated in the coming years. I do not expect that such a pledge could be given without reference to the circumstances of the future, but I think that it is not unreasonable to ask that, in view of the ample demonstration which has been given of the crying needs of Burma, a promise should be made that, if the Imperial Government finds itself in a favourable financial position in the coming years, a like contribution will be made annually to Burma until the sum named by the Lieutenant-Governor has been granted. Perhaps the Imperial Government has refrained from giving such an undertaking from a belief that certain variations in the terms of the Provincial Settlement

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which are to take effect from the beginning of the new financial year will provide the necessary permanent addition to our funds. If so, I venture to express an opinion that the result of these alterations of the settlement will fall very short of what is required. In future we are to get five-eighths of the land-revenue receipts instead of one-half and the whole of the forest-revenue in lieu of one-half of it. On the other hand, we are to defray the whole of the forest expenditure instead of one-half of it as previously. Inasmuch as the effect of this arrangement was calculated out on the figures of the year 1909-1910, and the amount by which the Province of Burma would gain was subtracted from the Imperial assignment to Provincial funds under the head of Land-revenue Adjustment, a mere equilibrium resulted as regards the present. But it is suggested that we shall gain largely by the growth of our revenues in the future as we shall get the additional fractions of such increases. It has, however, been our complaint throughout that our revenues have not increased as expected, and it is particularly under the heads Land-revenue and Forest that we have been disappointed. Further, we do not really obtain a full five-eighths of our legitimate land-revenue. The export-duty levied on rice exported to ports other than British Indian ones is in fact part of our land-revenue and should be credited to that head instead of to Customs. This amounted, I am informed, to sums varying between fifty-seven and a half lakhs in 1908-1909 and ninety lakhs according to the estimate for the year 1911-1912. In 1904-1905 it realized ninety-eight and a half lakhs. All this is now taken by the Imperial Government as part of the Customs. If it were credited, as it should be, to the Land-revenue, the land-revenue receipts which we are to have in future would be substantially augmented. I would commend this suggestion to the serious consideration of the Hon'ble Finance Member, if he desires to take a step towards a real revision of the terms of the settlement. I do so the more earnestly because the forest receipts of which Burma is in future to obtain the whole are increasing so slowly that a substantial benefit from this concession is hardly to be looked for. On the other hand, our forest expenditure is rising. It is expected to rise by three lakhs in the coming year, while the expected rise in receipts is only two and a half lakhs. In so far, therefore, as our new contract is concerned with forest receipts and expenditure, we have little cause for congratulation.

"Possibly I may appear somewhat ungracious if I suggest that we have been accorded an additional fraction of the land-revenue receipts only when it is admitted that these receipts are not increasing at the rate expected and when therefore it would appear that our boon becomes of less value. Though I gladly acknowledge the assistance given by the contribution of the forty lakhs subvention, I regret that I am unable to express gratitude for the alterations in the terms of the Provincial Settlement if they are meant to be put forward as an adequate revision of that agreement and if the settlement is intended to be made permanent on these lines. We should like a still larger share of growing revenues, and if we got that, we would gladly give a fixed assignment from Provincial to Imperial in order to reduce our income to a reasonable figure. As the Hon'ble Pandit Malaviya does not like such an arrangement for his Province, perhaps the Hon'ble Finance Member will let us have it instead of him.

"I am much interested in the development of Education and am glad to see that something has been given us for the extension of the Rangoon College, for the building of hostels and for some other purposes. But we have enormous arrears to make up in the provision of facilities for legal, medical, engineering and other forms of technical education, as well as for university courses in general knowledge. I look with much jealousy at the large grants to Bengal which has had so much already. We do not want our Province to be overrun by Bengalis. Much greater facilities ought to be given to Burmans for entering the professions and for qualifying for the higher branches of the public service. I hope that the scheme for a university in Burma will soon come into effect and be generously supported by the Government of India.

"I am glad to say that something has been done towards employing more Burmans in the Post Office. I am much obliged to the Director General for

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the practical sympathy which he has given to my representations on this matter. I do not want more Indians from other Provinces in the Post Office in Burma. Such men are always anxious to get men of their own caste into vacancies—even as postmasters, clerks and such like, so that the Burman is kept out of work in his own Province and the Post Office is looked on with suspicion. Many of these Indian postmasters cannot read the addresses on Burmese letters; and they cannot write money order receipts in Burmese, so that the sender does not know whether he has got a proper receipt or not. It is not wonderful therefore that my people, though primary education is widespread, use the Post Office so little."

The Hon'ble SIR VITHALDAS D. THACKERSEY : "My Lord, the Hon'ble Sir Guy Fleetwood Wilson is entitled to our hearty congratulations on the very satisfactory Financial Statement that he has presented to us. I say so in no mere conventional sense. I mean no disrespect to the other Departments when I say that we all feel that the Finance Department of Your Excellency's Government has, in an especial manner, identified itself with our true national interests. My Lord, we are glad that the Hon'ble the Finance Member has been blessed with a large surplus in the current year, and that the coming year also presents so far no cause for anxiety. But it is not a very difficult thing to budget for a surplus, and I am sure that the Hon'ble Member will forgive me for holding that the manner in which the surplus has been raised is not altogether unexceptionable. But, my Lord, this is a question of the past. And I feel that apart from the 2 millions devoted to the reduction of debt, about which I have already expressed my opinion, the way in which the surplus has been allocated shows great judgment and discrimination. I wish to thank the Government of India and the Hon'ble Member for doing justice at last to Bombay City by giving it a grant of 50 lakhs and thus making up the Secretary of State's contribution as originally intended when the Bombay Improvement Trust Act was passed.

"My Lord, the Government are aware that this grant does not meet all the needs of the Bombay Improvement Trust, and that it does not remove all cause for complaints of differential treatment between Bombay and Calcutta. But we are willing to accept this act of Government as an earnest of their good intentions, and I offer our sincere thanks to Your Excellency's Government for lending a ready ear to the representations of the Local Government and people of Bombay, whose claims to be called the first city in India and the second city in the Empire have been placed beyond any possibility of doubt by the returns of the last Census. I sincerely hope that our representation regarding the much-needed enlargement of the resources of the Bombay Improvement Trust will receive equally favourable consideration.

"These are all the remarks which I propose to make on the general features of the Budget. My remaining observations will be devoted to certain important considerations suggested by the Hon'ble Sir Guy Fleetwood Wilson's exposition of the behaviour of our currency system during the current year.

"My Lord, I was greatly impressed, as no doubt others also have been, by some remarkable features of the current year to which the Hon'ble the Finance Member has called attention in the section devoted to 'Exchange and Currency' in his able and lucid Financial Statement. He told us of the striking economy in the use of rupees, as illustrated by the fact that during April to December of last year there was actually a net return of rupees from circulation, instead of, as in previous years, a large absorption of rupees from our currency reserve. He further told us that in addition to the close on 17 millions of gold bullion, the greater part of the 3 millions in sovereigns, imported during the nine months of the year, had passed straight into consumption. He seemed to infer from this fact that the people were beginning to keep their savings in gold instead of as hitherto mostly in silver, and that probably sovereigns were also working their way into active circulation. Concurrently with these features, there was, as he pointed out, a noteworthy increase in the use of currency notes, justifying an increase in the fiduciary reserve. These, my Lord, are truly significant phenomena and they show to my mind that the time has come when we may take a further step in the

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direction of the measures needed to place our currency system on a permanent and stable footing. From the very first, it has been fully recognised that a gold standard with a gold currency must be the final goal of our currency policy. As this has been doubted, I would trouble the Council with a few quotations.

"The Indian Currency Committee of 1898, presided over by the late Lord Wolverhampton, then Sir Henry Fowler, whose recent death we all deplore, after pointing out that the Government of India favoured a gold standard with a gold currency, observed : 'We are in favour of making the British sovereign a legal tender and a current coin in India. We also consider that, at the same time, the Indian Mints should be thrown open to the unrestricted coinage of gold on terms and conditions such as govern the three Australian Branches of the Royal Mint.' The Finance Member of the Government of India, the Hon'ble Mr. Clinton Dawkins, in his Finance Statement for 1900-01, concluded an exposition of the change effected in the currency policy a few months previously, with an important announcement. 'It has been decided,' he declared, 'to constitute a branch of the Royal Mint at the Bombay Mint for the coinage of gold. The terms of the proclamation to be issued under the Imperial Coinage Act have been settled, and we are merely waiting now until the Royal Mint has satisfied itself as regards the Mint premises and appliances in Bombay. A representative of the Royal Mint is starting this week for Bombay to report. The gold from the Mysore mines is indeed already reaching us in anticipation of coinage, and we count upon receiving an annual increment to our stock of gold of from $1\frac{1}{2}$ to 2 millions from this source.' The whole scheme would seem to have fallen through and not a single sovereign has been coined all these years. And indeed I doubt if sovereigns and half-sovereigns are the most suitable coins for India. I believe that if a ten-rupee gold coin were minted it would rapidly become popular in the country. The nett receipts of gold into the country during the ten years ending 1904-05 amounted to nearly 57 crores of rupees. In the last six years they amounted to over 70 crores. The average nett imports of gold during the last ten years has been to the value of over 10 crores. If the Secretary of State had confined his drawings to his own requirements on revenue account, the amount and the value of gold that would have come to India would have been considerably larger. A defence of this policy of selling Council bills to meet trade requirements was attempted by the then Finance Member, His Honour Sir Edward Baker, in the Financial Statement for 1906-1907. 'Since the closing of the Mints and the establishment of the gold standard,' said the Finance Member, 'the only means of obtaining currency that was open to trade, apart from the purchase of Council drafts and transfers, was to bring out gold to India. When, as is now the case, a sufficient stock of gold has been accumulated in the currency reserve to make the standard effective, and so long as gold is not to any large extent in active circulation, this method is wasteful; for it involves the eventual reshipment of the imports of that metal to Europe for the purchase of silver for coinage. To avoid this result the policy of Government has been to sell Council drafts freely so as to supply the trade demand to the fullest extent up to the limit of our capacity to meet them. A recent development of this policy has taken the form of selling telegraphic transfers against shipments of gold from Australia, which are thus diverted from India to London.' I may say here that the gold standard reserve fund at that time stood at $12\frac{1}{4}$ million pounds, whereas now it is nearly twenty millions.

"It will thus be seen that every effort has been made to prevent gold from coming to India on the plea that there is no use for it here. Every pound over and above the actual requirements of the Home charges which the Secretary of State has drawn through Council bills is so much gold intercepted from coming to India. The official apology which I have quoted above does not convey the whole truth. It is well known that the main reason why gold is not allowed to come to India is the pressure from the London money market, whose interest it is to retain as much gold as they can in London. The Hon'ble Sir Guy Fleetwood Wilson told us last year that it is not to the interest of India to allow the London money market to be disturbed. But I submit, my

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Lord, the circulation of gold in India is much more important from our point of view and, after all, the London market is sufficiently strong to take care of itself. Moreover, London is not able to prevent the export of gold to countries other than India when the trade conditions demand.

" My Lord, I submit that no serious attempt has been made to put gold into active circulation in this country. In spite of the strenuous endeavours to intercept gold which would have otherwise come to India, the country has insisted on absorbing an increasing quantity of the precious metal and, as the Hon'ble the Finance Member has said, during the current year even sovereigns have been directly absorbed. My Lord, it is not my idea that Government should undertake at once to give gold coins in exchange for rupees. Such an obligation, to use the words of the Indian Finance Committee of 1898 with reference to the gold reserve, would impose on Government a liability to find gold at a moment's notice to an amount which cannot be defined before-hand, particularly as we know that India has at present in circulation about 200 crores of rupees. What I suggest is that, without making any other change whatever in the present arrangements, the Mints should be opened to the free coinage of gold in ten-rupee pieces. This coin must be stamped with an Indian design and indicate its value in the vernacular languages on the reverse as in the nickel anna piece. If this is done, I am quite confident that within a few years a considerable quantity of gold will pass into circulation. I may point out that this year in Bombay a considerable amount of revenue was paid into a district treasury in sovereigns, as was mentioned by His Excellency the Governor of Bombay in a recent speech. In my personal experience, the Banks in the Bombay Presidency, in order to save freight, took over sovereigns from Bombay instead of rupees for part of their currency requirements, and sovereigns were rapidly taken up by the up-country people. It may be argued that, owing to the Indian habit of hoarding, the gold coins will pass out of circulation. I do not believe that there is any hoarding strictly speaking in these days, and even Indian Princes who used to hoard on a large scale are freely resorting to investments. But even if the habit has not altogether disappeared, the hoarding of a current coin is a source of greater strength than the hoarding of uncoined metal. Whenever the balance of trade goes against us and the value of gold touches export point, then the gold hoards will come out just as hoarded rupees have been coming out in recent years. Thus, whether the gold remains in circulation or in hoarding, it will form our first line of defence in case of any emergency, and the gold standard reserve will not be touched until the coins in circulation or hoards are exhausted. I may call the attention of the Council to the fact that I do not propose to touch the gold standard reserve, which must remain as it is as the ultimate guarantee of our currency policy. In fact my proposal does not interfere with the existing arrangements in any way but is supplementary to them. Such a policy will immensely strengthen the position of our currency. I strongly believe that this policy, if successful, and if a large quantity of gold goes into circulation as I think it will, will naturally lead to the Indian currency system being established on an automatic gold basis. I may add that if Government, instead of remaining a passive spectator, would actively interest itself in the matter and assist the circulation of gold coins by studying the tastes and habits of the people and the requirements of trade, they will greatly accelerate this desirable consummation. My Lord, I submit that this is the most convenient opportunity, if Government accept the views put forward by me, to give effect to them. In the fifteen years previous to the closing of the Mint to silver, the nett addition to currency was 105 crores. From 1893-1900 there was no addition to the coinage. From 1900 to 1907, 84 $\frac{3}{4}$ crores were added to the currency. Since 1908 there has been no new coinage. The balance of trade in the year 1909 went against us, necessitating our parting with some portion of our gold reserve in exchange for rupees, and in the current year all the rupees accumulated in the gold standard reserve in the previous two years have been absorbed by the country and gold has come back. If the season happens, as we all hope it will, to be favourable, the country is sure to require additional currency at no distant date, and this is the most opportune moment to open the Mints for the coinage of gold. I may observe in passing that until we have a substantial

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amount of gold circulating in the country, there will be much to be said in favour of the argument of the commercial communities against the present policy of Government of holding practically the whole of our gold in London. They rightly fear that in time of emergency it may be difficult for the London market to part with the gold.

"Another suggestion that I should like to make for strengthening our position is to make the hundred-rupee note universal. I am glad to notice from the Financial Statement that the Government are satisfied that the introduction of our new universal notes up to fifty rupees have contributed materially to the growing popularity of our Paper Currency. When the Bill to legalise this proposal was brought forward, the Indian commercial communities strongly advocated the making of the notes universal up to 100 rupees. But Government were naturally cautious. I find it stated that Government are carefully considering the further extension of this principle, and I hope that they will come to the conclusion that they may safely make the one hundred rupee note universal. Notes of this denomination are, as Government are aware, very popular and largely used by the commercial community. I strongly believe that the circulation of our currency notes will largely increase if this suggestion is adopted. It will not only be a great facility to trade, but it will also in my opinion indirectly strengthen our currency position. With a larger amount of note circulation we can safely hold a larger proportion of gold in the currency reserve.

"In conclusion, my Lord, I may be permitted to point out that if we are successful in introducing gold into our currency through the policy indicated above, and if we are successful in placing a larger amount of gold into our currency reserve owing to increased circulation of currency notes, the chances of any demand on our gold standard reserve will become remote, and when such circumstances have stood the test of time the objections to the investment of our gold standard reserve will cease to have force, and thus it may ultimately become a real asset to be set off against the non-productive debt about which we have heard so much recently. My Lord, I cannot think of a more auspicious occasion for inaugurating a gold currency in India than the Imperial visit to our country for the purpose of personally announcing the accession of Their Majesties the King-Emperor and the Queen-Empress to the throne."

The Hon'ble Mr. CHITNAVIS : "My Lord, the Budget under discussion is satisfactory beyond dispute, whether the revenue or the expenditure be considered. With the exception of an accidental accession of income from the sales of Bengal opium and the duty on silver, the large revenue of the current year is the result of normal conditions,—industrial, commercial and agricultural,—while the expenditure has been discriminating. The large surplus has been put to the best use. But for the uncertainty hanging over the Opium revenue, the financial position of the Government is fairly strong. I beg to congratulate Government on it, and the Hon'ble Sir Guy Fleetwood Wilson on the success of the measures he took to relieve last year's tension.

"My Lord, the allotments of £40,000 for initial expenditure in the Central Provinces on Education and Sanitation and of Rs. 18,45,000 for the Tendula irrigation project must be thankfully received. It is also gratifying to learn that the Wainganga and the Mahanadi schemes are being considered by Government. It would of course have afforded greater pleasure to the local people if the grant for Education and Sanitation had been larger.

"My Lord, the growing importance of the Central Provinces inspires in the people the desire that Government will be pleased to raise the local Administration to the status of a Lieutenant-Governorship. The Province, I understand, is going to get a Legislative Council. It will be quite in the fitness of things that a Lieutenant-Governor should replace the Chief Commissioner.

"My Lord, the Central Provinces have one grievance, irrespective of the Budget. I am informed that the Government of India have decided to abolish the *octroi* in the Central Provinces. It has already been abolished in the United Provinces. But the abolition will mean a serious curtailment of the resources of the local bodies. People in the Central Provinces have become accustomed to the duty. The *octroi* is our principal source of revenue. If

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the local bodies are all at once deprived of the *octroi*, they will have to make good the loss by additional direct taxation. Now, notwithstanding abstract principles of political economy, direct taxation is extremely unpopular and unsuited to the conditions of the Central Provinces. I have nothing to say about the United Provinces, but, in the Central Provinces, recourse to fresh direct taxation will be attended by serious discontent. As President of the Municipal Committee of Nagpur, I beg to enter an emphatic protest against the proposal.

"My Lord, the threatened loss in the Opium revenue, however, requires more than makeshift methods of recoupment. A sound and satisfactory solution of the difficulty must be found. In 1907, I pleaded in this Council for compensation from the British treasury. We were then assured by the Finance Minister that 'this aspect of the question has not escaped our attention.' But up to now we do not know what the Government of India have done to press the claim upon the British Government. An early announcement by Government of their intentions will relieve the people's anxiety.

"My Lord, scrutiny into one of the contributory causes of the surplus suggests thoughts of grave moment. The four-anna duty on silver has yielded more than the expected revenue, and accounts for $67\frac{1}{2}$ lakhs of rupees of the surplus. The report is that the improvement is the result of heavy speculation in the metal in which certain banks, owned and managed by Indians, have participated. The allegation demands careful enquiry. The outstanding complaint in India is that there is a heavy annual drain upon her, and that the country is being exploited by British capitalists. I do not propose to examine the merits of the complaint. Speaking entirely for myself, I think it is exaggerated and unjust. We owe much of our present development to foreign capital, and we cannot do without imported capital for years to come. But whether necessary or not, it would be folly to ignore the stern realities of the position. It has been calculated that £350,000,000 has been invested by Englishmen in commercial concerns in India, over and above the amount (£130,000,000) lent by England to India for railways and irrigation canals. The annual return upon nearly 500 million pounds sterling of invested capital must in any case be large. The remedy for the drain, in my humble opinion, lies, not in fretting and querulousness, but in the gradual replacement of British capital by indigenous capital. An Anglo-Indian authority calculates that the hoarded wealth of India is about £500,000,000, or exactly the amount invested by British capitalists. Patriotic effort should therefore be directed to the larger and freer employment of Indian capital in industrial concerns. That is the only practical way to prevent the drain, or, in other words, to intercept the profits that now legitimately go to the British capitalist.

"Of late there has been a healthy change in the ideals of the people, followed by a spurt of industrial and commercial activity. Government should not only view the movement with satisfaction, and foster it as they have done in the past by guidance and serious efforts at the organisation of rural capital; but they should closely watch it, with a view to keep it within safe channels and to prevent reckless speculation and gamble. My Lord, in this view of the responsibility of the Government, they would be justified in providing stringent legislative checks upon the operations of such important concerns as banks and insurance companies, and in providing for the periodical examination by official auditors of the accounts of all these Indian concerns. My Lord, the failure of these companies will not only entail present ruin upon many, but, what is far more important, will make Indian capital a hundred times more shy than it is at present, will set back the industrial progress of the country by at least fifty years, and will add to the number of the unemployed. The better mind of India thinks that Government should take action at an early date. I am glad that the Hon'ble Mr. Clark has said this morning that a Bill in connection with Insurance Companies is now before the Secretary of State in Council.

"My Lord, the economic problem stands out prominent and insistent, demanding sympathetic consideration and delicate handling. The reported

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increase in the total population, notwithstanding epidemics, invests it with additional gravity. In consequence of the impact of Western ideas upon Eastern ideas, the wants of the people are growing. This economic problem must be satisfactorily solved if there is to be lasting quiet in the land. Anything which retards the industrial development of the nation has thus an administrative aspect which must seriously engage the attention of Government. At the same time, Government should devise means for providing new careers for the large population. The Indian 'unemployed' also must be sympathetically treated. I fully believe Government are alive to their responsibilities, and I emphasise the point only in view of the constructive work of reform Your Excellency has undertaken.

"My Lord, the policy of conciliation Your Excellency has enunciated for the administration of India has justly evoked universal applause. Your Excellency's attitude towards students—full of sympathy, benevolence and kindly interest—has been appreciated and admired. But may I take this opportunity to impress upon my countrymen the need for sobriety, moderation and whole-hearted co-operation with Government in such circumstances? I have too great a faith in their intelligence to suspect that they do not realise the impotence of anarchy and violence as instruments in any rational scheme of national regeneration. Let us not rake up the past; let us bury the hatchet. When the Government are so sympathetic and conciliatory, we can only gain by responding to their efforts as behoves good citizens. We have undoubtedly a right to be governed well and in our interests, but we have also a corresponding duty to perform. We must co-operate with Government in the maintenance of law and order, and must, by our good and peaceful conduct, provide facilities for reform and advancement.

"My Lord, the intended visit of Their Imperial Majesties is full of meaning and promise; it is pregnant with possibilities. The people are intensely loyal to the Throne, and the Coronation at Delhi will stir their hearts to their inmost depths. I have fervent hope the voice of sedition, if there is any still, will be drowned for ever in the hosannas of a grateful nation."

The Hon'ble MR. SUBBA RAO: "My Lord, I take this opportunity of congratulating the Hon'ble the Finance Member on the prosperity Budget he has presented to the Council this year with so much ability and lucidity. The Budget, my Lord, is marked by three notable landmarks. The first and the most important is the forthcoming visit of His Majesty the King-Emperor, whose call as the Prince of Wales for greater sympathy in the administration of the country was followed by the inauguration of important changes in the constitution of the Legislative Councils and in the Executive Councils of the country. This is indeed an unique event in the history of India. We regard His Majesty's visit as a happy augury for drawing England and India closer together in bonds of amity and goodwill. We look forward to this auspicious visit to be associated with the inauguration of reforms in the administrative machinery, which is only a complement to the legislative machinery of the Government. The next important landmark is the change introduced and the principles enunciated in regulating the financial relations between the Local Governments and the Government of India, though Madras, I am afraid, is not much of a gainer by the settlement. I congratulate the Hon'ble the Finance Member on the care and ability he has shown in solving this intricate question and securing as far as possible financial independence for Local Governments under certain conditions. The third landmark is the large sum of nearly 147 lakhs placed at the disposal of Local Governments, nearly 90 lakhs for Education and 57 lakhs for Sanitation, besides nearly 1½ crores for some special schemes of different Provincial Governments. We are deeply indebted to the Government of India for these grants, the largest ever made during these years.

"An important question arises with regard to the sums which are placed at the disposal of Local Governments towards the general extension of Education and improvement in Sanitation. On what principles should these sums be utilised? The sums, though they may ostensibly be required to meet urgent claims, relieve the pressure on the Provincial Budget and give a large scope for

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the expenditure of Provincial balances. There is thus a temptation to spend money on projects which for the time being may appear to be beneficial but which in the long run do not come up to our expectations. As an instance, I may point out that in the Budget of 1901-1902 a sum of 35 lakhs was placed at the disposal of Provincial Governments to provide buildings for Primary Schools and also to maintain them. I believe it will be found on enquiry that some portion of the money at least went on buildings which were not wanted. Much caution is therefore necessary in laying down definite principles, as to the utilization of monies that may from time to time be placed at the disposal of Local Governments, and it is necessary that they should be subjected to rigorous scrutiny by Legislative Councils where they exist. I find, for instance, that it is proposed by the Madras Government to establish four model High Schools at a cost of 1·20 lakhs; and the whole scheme is to establish nineteen model schools at an extra recurring cost of 4·43 lakhs.

"In this connexion I wish to raise the question as to the attitude of the Government of India with regard to Secondary Education both English and Vernacular. The past policy as laid down in the famous Despatch of 1854 is that—

'No Government colleges or schools shall be founded in future in any district where a sufficient number of institutions exist, capable, with the assistance of the State, of supplying the local demand for education.'

"The Despatch says—

'We look forward to the time when any general system of education entirely provided by Government may be discontinued, with a gradual advance of the system of grants-in-aid, and when many of the existing Government institutions may be safely closed or transferred to the management of local bodies under control of, and aided by, the State.'

"The resolution of the Government of India appointing the Education Commission in 1882 points out that the Government is ready to do all it can to foster a spirit of independence and self-help among the people, and that it is willing to hand over any of its own colleges or schools in suitable cases to bodies of Native gentlemen if they would undertake to manage them satisfactorily as aided institutions. It says :

'It is specially the wish of the Government that municipal bodies should take a large and increasing share in the management of public schools within their own jurisdiction.'

"The Education Commission, after careful consideration of the question, recommended—

'That all Directors of Public Instruction aim at the gradual transfer to local Native management of Government schools of secondary instruction (including schools attached to first and second grade colleges) in every case in which the transfer can be effected without lowering the standard or diminishing the supply of education and without endangering the permanence of the institutions transferred.'

"This policy of 'continuous withdrawal' was given effect to in some Provinces, notably in Madras, and during the last quarter of a century institutions under private bodies have grown up there in efficiency and usefulness. We have in Madras so many as 450 institutions nearly, managed by private bodies, as against four of Government, excluding Europeans schools. It appears that, notwithstanding the previous emphatic declarations of the Secretary of State and the Government of India, there is a change in the policy of Government. It is said that 'to maintain a satisfactory level of efficiency' model secondary schools under direct Government management are needed, one for each district, and accordingly steps are taken to start such schools, even though there are private secondary schools in existence in the locality.

"My Lord, it is necessary to examine the policy of starting model schools whose direct effect is to discourage local effort and the spirit of initiative and self-help among the people. It appears to me that this policy of continuous withdrawal should be steadily kept in view and enforced in all Provinces.

"The experiment now made in this direction is costly as Government has to spend very much more on their schools than what a private body does. No

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doubt, aided institutions in this poor country do not come up to the standard attained in the West and they have not yet developed adequately the modern side of education in the same way as Government schools have done. This is because sufficient funds are not placed at their disposal by the Government, though the Public Service Commission recommended that 'the improvement and extension of institutions under private management' ought to 'be the principal care of the Department.' Steps should therefore be taken, my Lord, to supply them with more funds. Of late some theories have been put forward that young men have got out of hand, because the Government have not a sufficient number of model schools of their own. If you compare Madras, where the number of Government schools is at the lowest and where aided schools have freer play, and Bengal, where you have 38 Government schools, you will find how baseless and unwarranted by facts is this supposition. The manning of Government schools by Europeans will not improve matters, but on the other hand will have, I am afraid, the opposite tendency in view of the isolated position occupied by Europeans in this country. The true remedy lies in other directions.

"Instead of giving room to the suspicion that the old policy is departed from and starting English secondary schools now, it is necessary, my Lord, for the Government to take up the question of Vernacular Secondary Education and examine whether they have done their duty in this matter. It is necessary also to consider how far it is possible to co-ordinate the Vernacular and indigenous systems of education in the country. I need hardly point out that the encouragement of Vernaculars and Vernacular High Schools have not up to date received sufficient attention. The number of Vernacular High Schools in this vast country including Burma can be counted on one's fingers. The Court of Directors in their Despatch of 1854 lay down the principle, which is approved by the Government of India in their resolution of 1904, that 'European knowledge should gradually be brought by means of Indian Vernaculars within the reach of all classes of the people,' and point out that 'it is indispensable therefore that, in any general system of education, the study of them (Vernaculars) should be assiduously attended to. And any acquaintance with improved European knowledge which is to be communicated to the great mass of people can only be conveyed to them through one or other of their Vernacular languages.' 'We look therefore to the English language and to the Vernacular languages of India together as the remedies of the diffusion of European knowledge.' They therefore placed this subject on a level in point of importance with the instruction to be conveyed through the English language as pointed out in the Despatch of 1859. The result of the policy during the last half a century may be summed up in the words of Lord Curzon :

'As a matter of fact we rushed ahead,' he said at the Simla Conference in 1901, 'with our English education, and Vernaculars with their multitudinous clientèle have been left almost standing at the post. They have to make up a good deal of lee-way in the race, before any one can be suspected of showing them undue favour.'

"Speaking again in 1905, he said, 'as regards the Vernaculars, which must for long be the sole instruments for the diffusion of knowledge among all except a small minority of Indian people, we found them in danger of being neglected and degraded in the pursuit of English, and in many cases very bad English, for the sake of its mercantile value.' Thus, notwithstanding the recognition of the claims of the Vernaculars, no steps thus far have been taken to bring the Vernacular secondary education in line with the English secondary education. I submit that the time is come when higher Vernacular education should be given a proper place in the scheme of education in this country correlated on the one hand to indigenous institutions and on the other to English Colleges; for after all it is the basis of all industrial or commercial occupation. But it must be such as to fit our young men to earn their livelihood. No doubt students at present are not attracted to a purely Vernacular school because it is neither adapted to their pursuits in life nor does it offer the prizes of the public service or professional employment. It is therefore necessary that the courses should be so arranged that a student who has gone through a Vernacular secondary school with English

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as a second language may have facilities to appear for the School Final or Matriculation Examination and become eligible for admission to the Public Service or to Arts or Professional Colleges, with a short additional training if necessary. Such schools ought to have a modern side attached to them, so that they may bear directly upon the life of the young men who may not care to join the University.

" My Lord, English secondary education has been fostered by scholarships and encouraged by the prospects it opens to the youth of the country, and it may take many years before Vernacular secondary education can take its proper place side by side with English secondary education. Under the circumstances it is necessary in the present state of the country that Vernacular secondary schools should be started by the Government, one in each district at least, instead of model English secondary schools, and nursed on the same principles on which English schools were nursed, such as by the grant of scholarships, by making the students eligible for the Government examinations and for the University course, etc. These schools, if properly organised and fostered, will become as good feeders to the Professional and Arts Colleges as the English secondary schools, with this advantage, that the students therein will be trained through their own Vernacular without much waste of their energy and time as is now entailed in the English schools. Further they will provide a good preliminary training for students who wish to join Sanskrit Colleges, Schools of Art, Commerce, Agriculture, etc. In this connection, I venture, my Lord, to commend to the Government the scheme of education adopted in the National College at Calcutta as to the lines on which the studies in Vernacular schools might be arranged. I hope that this important question will receive the attention of the Government and a beginning made in the coming year, as a large amount of surplus is budgetted by the Hon'ble the Finance Member."

The Hon'ble MR. ANDREW : " My Lord, last year during the Budget debate vigorous attacks were made by some of my official colleagues from other Presidencies on the Hon'ble the Finance Member, and as he was rather sorely pressed, especially by the Hon'ble Member from the Punjab, I came forward with an expression of sympathy and said that, whatever others may have to say, I had no complaint to make on behalf of Madras. The Hon'ble Member seemed rather grateful for the support I thus rendered him, and he told the Council that of all his flock the gentle lamb of Madras was the only one that had greeted him with a friendly bleat. I thought, my Lord, that I had gained his affections to some extent and that I became, in a sort of way, the Benjamin of his flock, and when the Hon'ble Sir Sassoon David confidently predicted a very large opium surplus this year to be divided amongst the Provinces, I thought that I would receive, if not a double portion, at all events a fair share. Well, my Lord, the Hon'ble Member apparently handed over that surplus to the Hon'ble Member for Education, and I cannot say that I think he has given Madras fair treatment at all. Out of 147 lakhs for Education and Sanitation, he has given Madras only 10 lakhs, less than any other Province in the whole of India, except the Central Provinces, of whose share the Hon'ble Mr. Dadabhoy has just complained.

" If I look now to the non-recurring grants made from other sources of revenue other than grants made under the terms of the Provincial Settlement, I find that, out of 104 lakhs distributed, Madras does not get a single rupee. The Hon'ble Sir Vithaldas Thackersey has just told us that that surplus has been distributed by the Finance Member with great judgment and that great satisfaction is felt in Bombay, which gets 50 lakhs, though he goes on rather to complain of the differential treatment between Bombay and Calcutta. Well, my Lord, if Sir Vithaldas Thackersey is not satisfied that Bombay, the second city of the Empire, should get 50 lakhs, I think I may, on behalf of my Presidency, say that I cannot be satisfied that Madras, the third city in the Empire, should not get anything at all.

" The Hon'ble Sir Guy Fleetwood Wilson said that the Hon'ble Member for Education will explain to us the principles on which he has made the distribution. I do not know on what principle the Hon'ble Mr. Butler has made it as regards Madras. Does he consider that Madras is so advanced in Sanitation

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and Education that she needs nothing more? Does he think that Madras has such a substantial surplus that she can effect all the improvements which she needs? Or does he, with the Finance Member, no longer regard Madras as a Benjamin to be fed so much as a step-son to be starved? If he does, I can only say that in Calcutta even a step-son is entitled to the protection of the Society for the Protection of Children. I fear, my Lord, that the real reason is that Madras has during past years accumulated considerable surpluses and that her very virtues are about to turn to her misfortune. Madras, it is true, has husbanded her resources very carefully in past years, but it was with a view to the future benefit of the Presidency. She has not, like another Province of which the Hon'ble Sir Fleetwood Wilson spoke, 'eaten up large balances by hasty and ill-considered increases in recurring expenditure.'

"Attention has, during the past few years, been rather frequently drawn to the accumulated surpluses of Madras. Two years ago the Hon'ble Mr. Meston in his Financial Statement referred to Madras's 'ample balances,' and even then I felt some alarm as to the effect that these balances would have, and I drew attention in the Council to the fact that that ample balance was due to that tradition of careful and economic management which had long characterised Madras administration and which had led to caution in embarking on promising schemes until such arrangements could be made as would ensure in the long run the fullest regard for efficiency and economy. I added that the Madras Government foresaw no lack of works of permanent utility on which to spend their balances, not forgetting that in utilizing them they would have to be careful to select objects which would not entail recurring expenditure beyond their normal resources. But the Hon'ble Finance Member again cast his eyes on these balances and last year remarked on the large balance which Madras had accumulated, greatly to its credit as he said, but, I fear, greatly to our misfortune; and this year the Hon'ble Mr. Meston has again referred to the 'heavy accumulation of balances' acquired by Madras.

"My Lord, this is a very serious matter and I fear that this ungenerous treatment of Madras may be reasonably interpreted as putting a premium on extravagance and waste and a discount on thrift and economy.

"I should like to say a few words about the allotment of 18½ lakhs towards the cost of new buildings required in connection with Sir William Meyer's scheme for the creation of new districts in Madras which comes under the head of 'grants made under the terms of the Provincial Settlements.' My Lord, in speaking of the allotments made to different Provinces under the other items of which I have just spoken, I am quite aware that I can make no claim. I have been standing with others, I may say, at the gate of Mercy, a suppliant for the generous bounty of Government. But, under this head of grants made under the terms of the Provincial Settlement, I rather stand in the porch of Justice to ask, on behalf of Madras, for the full satisfaction of a claim which the Hon'ble the Finance Member at present only in part admits. I always understood, my Lord, that the Government of India had undertaken to meet the whole cost of non-recurring as well as of recurring expenditure in connection with Sir William Meyer's scheme. Last year in the Budget debate I thanked the Hon'ble Finance Member for having promised to finance the scheme, and when I said 'finance the scheme, I, certainly did not mean a portion of the scheme; and the Hon'ble Member in acknowledging that friendly bleat of the gentle lamb expressed his satisfaction and did not, as he would assuredly have done if it had been so, say that the lamb was mistaken in his interpretation of the intention of the Government of India. In 1904 the Government of India promised to make a lump grant for the new buildings, and it was always understood that that promise meant that they would meet the whole of the non-recurring as well as the whole of the recurring charges; and they reiterated that promise four years later when discussing with the Madras Government the terms of the new settlement. This year I am alarmed to find that the Hon'ble Finance Member says that the Government of India have 'promised to assist' in the scheme, and the Hon'ble Mr. Meston has very cautiously worded himself in the Explanatory Memorandum and entered 18·50 lakhs 'towards the cost of new buildings,' evidently meaning that he repudiates any

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responsibility for meeting the whole cost. My Lord, I am authorised by my Government to say that the Government of Madras have all along understood that the Government of India would bear the whole cost of the building portion of the scheme, and that they are not content to assume that the Government of India have fulfilled their obligation to the Madras Presidency in allotting in this year's Budget 18½ lakhs for the purpose. After allowing for the immediate balance of 20 lakhs required by the rules, the remainder is more than covered by the claims registered against it, of which claims the building portion of the scheme is not one; and I have to say, my Lord, that if the Government of Madras must now find a moiety of the cost of the building programme, many desirable schemes will be greatly delayed, including the building programme itself.

"On one subject more I have a few remarks to make, and that is on the financial settlement which has now been revised with effect from next April. The Budget for the coming year has been framed with reference to that settlement and without the views of the Madras Government as to the conditions and terms of the scheme having been previously ascertained. The Government of India have further stated that the entries made in the Budget for next year are only for Budget purposes, and the Government of Madras presume that they will be afforded an opportunity of going into details before the revised settlement of 1908, with the modifications now suggested by the Government of India, is stereotyped. One of the points on which the Government of Madras hope to have something to say is the amount of the fixed assignment of 3½ lakhs from Provincial to Imperial revenue in consequence of the entire provincialisation of forest revenue and expenditure. Owing to the assignment having been calculated on the figures of the Budget of 1910-11, only a very small portion of the recurring cost of several important schemes relating to the Forest Department which have long been awaiting sanction have been allowed for.

"My Lord, while I welcome the entire provincialisation of forest-revenue, I hope that the Hon'ble the Finance Member will on further examination, and after consultation with the Madras Government, come to the conclusion that the fixed assignment of 3½ lakhs should undergo a considerable reduction.

"My Lord, I do not know whether if I had pleaded more vigorously for my Presidency last year I might have obtained a more favourable and, as I think, a fairer distribution of the surplus this year. Had I done so, perhaps the Hon'ble Mr. Butler would have carved that surplus in a different manner and have given Madras a larger share. If I had done so, and if the Hon'ble Mr. Butler had not paid so much heed to the vigorous pleadings of the Hon'ble Mr. Fenton, something more might have gone to Madras, and so much of the lion's share might not have gone to the Punjab."

The Hon'ble MR. MUDHOLKAR : "My Lord, during the discussion on the Financial Statement, I took the opportunity of expressing my appreciation of the cheerful and satisfactory character of this year's Budget and offered my congratulations to the Hon'ble the Finance Member on his good fortune in getting a substantial and unexpected surplus over this year's transactions. Yet it would not be just to ascribe all the pleasing and encouraging features of the Budget to fickle Dame Fortune. The opium windfall and even the improvement in revenue receipts were, it is true, due to the operation of causes which neither he nor the Government of India could influence. But for the substantial reduction in expenditure, of which there is abundant evidence under almost every head, the country is beholden to him for the careful and vigilant watch which he keeps over its finances.

"My Lord, the Government are entitled to our acknowledgments for the great step they have taken in the direction of giving further effect to the principles of decentralisation and the development of Provincial independence. Despite our so-called *quasi*-permanent settlements, the yearly scramble for doles and benevolences from the Government of India has during all these years continued as active as it was before the inauguration of the great reform of Lord Mayo in the seventies. Such a scramble is not only undignified, but involves injustice to those Provinces which pay their way and make their

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proportionate contribution to Imperial expenditure without aid or help from anyone. This injustice is felt all the more because they cannot get their own pressing demands satisfied out of their own revenues, as these are required to contribute to the largesses granted to the more clamant or more fortunate and favoured districts. Out of the one crore and fifty lakhs raised in the small Province of Berar with an area of 17,660 square miles, hardly sixty lakhs are applied to its own needs. More than 4-7ths of this revenue goes to meet the Imperial expenditure or to contribute to the satisfaction of the need of other Provinces or of other districts under the Local Administration. This is a legitimate ground of complaint when the needs of the Province in regard to sanitation, medical relief, education and civil works of general utility remain insufficiently attended to. The Hon'ble the Finance Member justified the specially large grants made to Eastern Bengal and Assam on the ground that till recently that Province was starved. My Lord, the Central Provinces and Berar—and specially Berar—have always occupied and even now occupy the position of Cinderella before the fairy came to her help. They are far more starved than Eastern Bengal and Assam. In the general distribution of favours out of the opium windfall, this Province, representing 1-9th of British India, gets only 6 lakhs out of 147 lakhs, *i.e.*, less than 1-24th. Even when it is a question of doing bare justice, it does not get all that it is entitled to. For efficient working and economy the Chief Commissioner undertook in 1907-08 with respect to famine relief responsibility which rightly lay on the Government of India and depleted his own treasury in doing so. The Provincial treasury was entitled to be reimbursed; but this has been done only partially.

"The discontinuance of the system of assignments which, though called fixed, underwent in fact variations and fluctuations, and the substitution in its stead of permanent transfers of entire heads of revenue or larger shares thereof, will enable self-supporting Provinces to retain the full benefit of the economies they might effect and the improvements they might carry out.

"This important financial reform emphasises the pressing necessity of establishing a Provincial Legislative Council for the combined territories of the Central Provinces and Berar. There is a total revenue of about 3 crores and 57 lakhs raised to meet an expenditure of about 2 crores and 80 lakhs and a contribution to the Imperial Exchequer of about 90 lakhs. The Imperial Legislative Council cannot be burdened with the discussion of a Provincial Budget and is not in a position to deal with it with knowledge.

"The large grants out of this surplus for non-recurring expenditure and the increased grants out of the revenue for education and sanitation and further special grants to large important works are also another pleasant feature of the Budget for which Your Excellency's Government is entitled to the grateful thanks of the country.

"In introducing on the 8th of this month the Budget heads dealing with Railways, the Hon'ble Sir T. R. Wynne told us that we were on the eve of a very considerable increase in the mileage of new lines to be constructed annually. He stated that the work of renewals and improvements on open lines, which during the last five years absorbed over 51 crores of rupees, has been brought up to the standard of our present requirements, and that therefore large amounts for new lines would now be provided. Railway receipts and railway expenditure hold the foremost place in our national finances, the revised estimates showing 45 $\frac{2}{3}$ crores and 24 $\frac{2}{3}$ crores, respectively, while the budget estimates show 47 $\frac{1}{2}$ and 25 $\frac{2}{3}$ crores, respectively. The capital outlay on State railways will at the end of 1911-12 stand at 323 crores. The military and political value of railways as also their social and commercial advantages are unquestionable. I would therefore make a few observations for the consideration of Government, and in particular of the Hon'ble the President of the Railway Board who wields—and wields justly—such influence in determining the views and acts of Government on this important branch of the administration. At the outset I would assure my Hon'ble friend that it is not in an unfriendly spirit that I approach the subject, and that I fully recognise the need and propriety of a further expansion of our railway system. But I think it would be a great mistake to put it on a wrong ground. It is not

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as a contributor to the Imperial revenue that the value of railways should be defended. It is true that we had this year a net revenue of $2\frac{1}{2}$ crores after paying all the expenses and interest and redemption charges. One year this net revenue was 3 crores and 45 lakhs. These amounts are sufficiently considerable not to permit of this aspect of the question being neglected. But taking the actual outlay, even the $3\frac{1}{2}$ crores represent barely a profit of 1 per cent. a year. The real value of railways to the country is what was stated by the Marquis of Dalhousie in his memorable minute—the military and political advantages and the social and commercial advantages.

“ Guiding ourselves by this standard, it is not clear to persons outside the railway administration on what principle new projects are taken in hand or extension made. It seems to them that the relative importance of the different claims are at times overlooked. In regard to one project, the desirability of constructing the lines and the commercial advantages it would secure have been pressed upon Government for over thirty years. A survey was made as far back as 1884, and in 1899-1900 earthwork was carried out and ballast collected. Since then no progress has been made. The line was one of those mentioned in the Histories of Railway Projects of 1900; but other lines, which do not seem to have been mentioned then or even for some years after this, are advocated, come to the front and are being constructed. Neither the strategic importance of these lines nor their immediate commercial advantages are yet obvious to ordinary men, who are unable to understand why preference was given to them over the lines the paying character of which was more apparent. More than one instance of this kind can be given. It is no use regretting the past. But now, when greater activity in railway extension is in sight, it would be more conducive to the interests of the country to accord precedence to different projects strictly on their relative importance. To facilitate this object it would be desirable to have for each Province a small advisory Committee of qualified and experienced commercial men (European and Indian).

“ Another suggestion which I would make is in regard to certain projects which involve a very large outlay, and which can become self-supporting only when certain other facilities and conditions which do not exist at present, and which also involve further large outlays by the State, are created. In the case of such projects they should not, I submit, be taken in hand until the creation of the facilities and conditions on which their eventual success depends are also sanctioned.

“ In regard to working expenses they seem to be going up more than they should. In 1906-07 they stood at 1,931 lakhs; this year they are 2,464 lakhs; in 1911-12 they are estimated to go up to 2,572 lakhs. Now, the mileage in the first year was 21,544; this year it has reached 24,525; and at the end of next year it will be 24,783. That is, this year's expenditure is more than 27 per cent. in excess of that for 1906-07, though the increase in mileage is a little less than 14 per cent. The amount spent on renewals and improvements in 1906-07 was 34 lakhs more than what was spent this year. The increase in expenditure is thus clearly due to greater working charges. The percentage of working expenses to gross earnings has increased on every line except one. In some the increase is by more than 13 per cent. Here is a matter for enquiry and for the serious consideration of the Hon'ble the President of the Railway Board and of the Hon'ble the Member for Finance. I have excluded from consideration the military section of the North-Western Railway which is more in the nature of a military defence work.

“ Even in regard to such an every-day thing as the working of a ballast train, I find it stated in the *Journal of the Permanent Way Institution of India* that sometimes they were able to work it very economically at a cost of 8 per cent. per cubic foot, at other times it ran to about 22 per cent. per cubic foot, owing to bad arrangements and heavy traffic, and that there was a tremendous amount of money wasted in the running of the ballast trains.

“ We have now come to a stage where it is necessary to consider whether it would not on the whole be more economical to work State lines by State agency rather than through Companies. If the Companies were remunerated by a share of the net profits, that would be a more preferable course to working by State agency. But as was long ago pointed out by Sir Guilford Molesworth

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in regard to the old guaranteed Companies, they are not directly interested in economy or retrenchment. Efficiency has of course to be kept in view, but it can be easily shown how without sacrificing it large reduction in expenditure can be made.

"As the old method of constructing railways through guaranteed Companies had to be given up on account of the serious losses it involved, so also would it be more to the interests of the country to dispense with the agency of the Companies or to have the terms modified so as to give them a direct interest in economical working. We are on the eve of a large extension of our railway system, and it is absolutely necessary to scrutinize the debit side and jealously guard against unnecessary expenditure."

The Hon'ble LIEUTENANT-COLONEL DAVIES: "My Lord, in the debate on the Budget for the current year my predecessor explained at some length the position of the finances of the Punjab and made a strong appeal for more liberal financial treatment. The figures in the Budget for 1911-12 show that great consideration has been given to that appeal and that it has been found possible to meet the claims of the Punjab to a certain extent. But, while fully recognising that the recent changes in the terms of the settlement have benefited the Province,—I allude particularly to the alteration of the Provincial share of Land-revenue from three-eighths to one-half,—I find it difficult to be enthusiastic over the increase of the Provincial share of net Irrigation-revenue from three-eighths to one-half.

"Before, however, dealing with this subject, I desire to invite attention to the terms of the Provincial contract. When these terms were being discussed prior to the contract of 1905, the Punjab Government represented that a larger assignment should be made from those heads of revenue which tend steadily to increase, and that in the Province in which canal irrigation plays so important a part, effect might be given to the suggestion by granting a share of the income under the Budget head—Major Works. The Government of India recognised the justice of the proposal and allowed the Province a three-eighths share in the revenue and the expenditure of this head, the revenue being derived chiefly from owners' rates, occupiers' rates and land-revenue and malikana of the Canal Colonies, the expenditure comprising direct expenditure on the improvement and maintenance of the major canals and also the interest on capital borrowed for the construction of such works.

"In order to provide against abnormal fluctuations of either revenue or expenditure, the Government of India guaranteed a minimum net revenue of $30\frac{3}{4}$ lakhs under Major Works, thus enabling the Provincial Government to frame its Budget with the knowledge that its revenue from this head would not fall below this figure. The settlement of 1905 was sanctioned with the intention and in the belief that the Local Government would be in a position to meet the heavy charges (arising out of colonisation and canal development), from the growing revenues yielded by the water-rates; but in only one year (1906-07) has the guaranteed minimum been equalled or exceeded. The consequence has been that instead of receiving a growing revenue from its canals, the Provincial Government has had to be content with what is virtually a fixed assignment of $30\frac{3}{4}$ lakhs per annum.

"The main object of the new settlement is to reduce the large fixed cash assignments and to replace them by a share in a growing head of revenue. It is in furtherance of this object that the Provincial share of revenue and expenditure of Major Works has been raised to one-half, while at the same time the guaranteed minimum has been raised to 41 lakhs. Let us consider the effect of this change on the finances, as it seems very doubtful whether in the next few years the desired result will be attained. From a calculation which has been made, it appears that for at least five years the Punjab will not derive any benefit whatever from the change, and that instead of receiving, as now, what is practically a fixed assignment of $30\frac{3}{4}$ lakhs, it will receive in the future a fixed assignment of 41 lakhs. The reason for this is to be found in the fact that charges under Major Works include interest on capital borrowed for such works. A sum of 120 lakhs has been entered in the Budget. We are now

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discussing for what is known as the Triple Canal project, and a slightly larger sum was entered in the last year. On all this capital expenditure, which is for the time being unproductive, the Provincial Government has to pay its share of interest, with the consequence that the net revenue from the head Major Works, instead of being a growing revenue, is at present a gradually diminishing one. Under such circumstances it is my duty to urge that the interest charges of new canals should not be thrown upon Provincial finances until the canals commence to earn a revenue sufficient to cover their working expenses and interest, lest the Local Government should find itself crippled under such charges and be unable to carry on the administration satisfactorily. I would at any rate urge that the present system, by which a share of the interest charges are debited to the Provincial Government, should be re-examined. As it stands it saddles the Provincial Government with very heavy expenditure long before the expected revenue can come in, and it is quite conceivable that under the present system a Local Government might hesitate to support a large scheme of irrigation, on the ground that such a scheme would for a considerable term of years block the increase of income which would otherwise accrue to it.

"Attention was drawn last year to the effect of the colonisation schemes on the Provincial finances. I should like to add a few words on this subject, for it seems to be generally accepted that they have brought great prosperity to the people and have largely augmented Provincial resources. As to their effect in the development of the country and in bringing prosperity to the settlers, there can be no two opinions; but this result is not obtained without considerable expenditure and great strain on Provincial resources. There is first the interest on the capital expenditure which has to be met before the works become productive; later on, there is expenditure on the settlements which has to be incurred in order to assist development. Roads of every kind have to be made, revenue and judicial buildings have to be constructed, and the demands of the colonists for schools and hospitals, to which they had been accustomed in their own villages, have to be met. The insistence of these demands necessitates the employment of a large share of the Public Works grant; so much so that, while the colonies are being brought into existence, other public works in the Province have to be starved: repairs are cut down to the utmost and new buildings are indefinitely postponed. When the Triple Canal scheme comes to maturity, a very large initial outlay will be required, and it is hoped that the Government of India will then come to the assistance of the Province, as it may be said with truth that such expenditure is due to a wholly exceptional cause. The adoption of the Provincial policy of the sale of Government lands has practically saved the situation, and it is hoped that under the new contract system the liberty of the Local Government as to disposal of the sale-proceeds will be in no way restricted.

"I will conclude with a few remarks on the allotment of the non-recurring grants which have been announced. The Hon'ble Finance Member told us that a grant of 10 lakhs would be made to the Punjab for sanitation; this sum, compared with the grants made to other Provinces, is liberal but not excessive. The grant is intended mainly for urban sanitation, and it is recognised that the urban population of the great cities of the Punjab is large as compared with that anywhere outside the Presidency-towns, and it is also well known that extensive sanitary works are necessary to cope with malaria which so often assumes an epidemic form. In the Financial Statement it will be found, however, that half this sum has been specially reserved for the Research Institute at Kasauli, an object which is in no sense a Provincial one. Five lakhs only remain for sanitary works, a sum which compares very unfavourably with the allotments made to other Provinces for purely Provincial purposes.

"A sum of 10 lakhs has been granted as a contribution to the Medical College and Hospital at Lahore; this amount, given in a year of large surplus, is only what another Province received when the financial position was bad, and it cannot be said to err on the side of liberality.

"The grant for education is small as compared with that made to similar Provinces, and the Punjab does not appear to have been treated with the

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liberality which has been extended to others. But I have no intention to weary the Council with details ; it is so easy to manipulate figures in order to make them produce the result which is wanted, whether it be for or against.

" My object is rather to point out the special difficulties which beset the finances of the Punjab and to express a hope that they may not be overlooked. It is also not too much to hope that from the future unforeseen surplus, which seems almost to be expected, the grants to the Punjab may be given with the liberality which has been extended this year to other Provinces."

The Hon'ble LIEUTENANT MALIK UMAR HAYAT KHAN : " My Lord, as the final speech on the Budget is considered one in which all questions connected with the welfare of India are discussed, I shall offer a few remarks which are connected directly or indirectly with the Budget.

" In the first place, I must congratulate the Hon'ble Finance Member on this year's Statement, which shows a good surplus.

" The time given us this year for our legislative session was in my opinion too short and has tended to cause hurry in our legislation, which is undesirable. It appears that the main cause of this has been the desire to meet the wishes of some of the Hon'ble gentlemen who want to attend to their private affairs. At a conference held in Simla, I expressed myself somewhat strongly and said that a man who takes upon himself the service of the public and then thinks of his own affairs, which stand in the way of his doing the above duty, is a wrong man in the wrong place. Such a man has no business to be there and had better resign his office in the public interests. And I was glad to find that most of my Hon'ble colleagues were of the same opinion. As being representatives of different Provinces, our work is not only to legislate, but also to bring about a closer union between the rulers and the ruled.

" I shall now touch on some points relating to the Army which seem to me to be worthy of notice. I would at the outset thank the Government for their giving commissions to members of the Imperial Cadet Corps.

" About horse-breeding I am of opinion that the money spent on the present class of stud-horses has not been employed for a very useful purpose. The stock produced is serviceable for working in the plains only, but on active service horses are also required in the hills. A change should, therefore, be made in their breeding so that they may be more adapted for service in such tracts.

" As the internal development of the country in all directions is entirely dependent upon peace and security, which are safeguarded by the Army, I suggest that whenever money is available it should be given to the Army. Funds are urgently needed for the construction of defence works along the North-Eastern frontier in the same way as they were required for the North-Western border. Money is also required for building lines for increasing the garrisons towards the North-East. And it is at the same time essential that India should have its own navy as well as aeroplanes or dirigibles. No real well-wisher of the country can see other nations go ahead without feeling keenly the lagging behind of India. We are no doubt protected by the largest navy in the world, but we should always keep in mind that there may be made simultaneous demands upon it from various quarters and there may be some difficulty in sending a sufficient portion of it here. We cannot, therefore, be useful members of the Empire unless we are self-dependent or, at any rate, so to a large extent.

" I would have said a word about the rise in the price of food-stuffs ; but as Government has taken the enquiry already in hand, I will only say that in order to check corruption the case of low-paid servants, like police-constables, patwaris, chaukidars, village-headmen, etc., is deserving of serious considerations. There is no wonder that ill-paid lambardars, chaukidars and police-constables fall victims to temptation and sometimes send up insignificant cases which end in acquittals. The salaries, therefore, should be raised at the bottom and not at the top.

" I think it is also necessary to revise the rates on which contracts are made by the Public Works Department. The same contractors when desiring to enter into contracts with private persons make written applications to the effect that they are willing to supply all building materials as well as to erect buildings at rates so much less than they charge the Government. When my

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Hon'ble friend Mr. Gokhale moved his resolution about Public Expenditure, it was this knowledge which kept me from opposing him. The expenditure on the civil and military and most other departments is absolutely necessary. The public money, my Lord, is not wasted by the Government of India or by the Provincial Governments. It is squandered only at the various construction works where money is actually handed over to contractors or to low-paid Government servants in charge of labourers.

"My Lord, I do not say that big landholders are badly off, but if the prices of their lands be calculated, it will be found that the profit derived from land is far less than could be got by investing an equal sum in some other business. Last year I urged the claims of landholders and I do not hesitate to do so again, it being my particular duty to do so; and I will go on urging them as long as I have the honour to be a representative of that class on this Council. I see no justification nor any logic in the fact that when two men of the same country get the same net profit from their respective occupations, they should be taxed unequally. Why should a man have to pay land-revenue on an income of Rs. 10 or even less, while the other pays nothing for Rs. 999-15-11? A zamindar cannot conceal his land and must pay the revenue, while a non-agriculturist can resort to many dodges to make it appear that his income is half of what it really is.

"There are certain other important matters affecting the agriculturists which I would briefly bring to the notice of this Council. One of these is the twenty years' settlement. Settlements are so unpopular that the Hindustani equivalent for the expression is used to denote ruin. When a tract is fully cultivated and the income of a landholder known, it is absolutely of no use to re-settle it.

"The assessment of kharaba, that is, allowance for failed crops, is made in the first instance by low-paid officials and only nominally checked by higher officials. This causes great inconvenience to landholders, who have often to adopt unfair means in order to obtain justice, as it is a well-known fact that they suffer if they do not resort to such practices. Thus, though he is called the backbone of the country, the agriculturist has to carry the burdens of all on his shoulders without receiving any help from others.

"As the time for moving resolutions is past, I should like only to suggest that the word 'Famine' should be omitted from the expression 'Famine Relief Fund,' for after all this Fund has been created with the object of rescuing people from starvation and thus saving their lives. But if there occurs some other calamity, which is as disastrous or even worse than famine, why should such a fund be not utilised in such emergencies? By way of illustration, one may mention the disastrous Kangra earthquake, the washing away of Dera Ghazi Khan by the river Indus, and many other worse disasters which from time to time overtake one part of India or the other.

"Now I turn to one of the most vital questions of the day, that is, education. I only want to say a word about it in connection with other things, and the subject of education pure and simple I leave to the new Department and my Hon'ble friend Mr. Gokhale and his Bill. What I mean to say is that a general survey should be made of the inhabitants of India and the different walks of life they can follow. We should make a rough estimate of the number of men required in India for—

- (a) agriculture;
- (b) the factories;
- (c) the mines;
- (d) the different trades;
- (e) the army;
- (f) well-to-do men who want to get educated for their own accomplishment;
- (g) educated men required for Government and private service, etc., etc.

"I do not object to merchants, well-to-do men and those seeking Government service being educated properly. But small agriculturists, labourers in mines and factories, recruits for the army, petty traders as well as low-paid servants, either

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Government or private, should not be given higher education. Nor should they be imparted primary education in the manner in which it is now done, which prevents them from doing their ancestral work owing to their time being given up to studies while young. The schools for these people should be either night schools or such as may not interfere with their household work, for which they are urgently wanted every day, and the subjects taught should be only such as may help them in following their own occupations.

"In this connection I would also suggest that the number of men in a district belonging to the various professions should also be limited, so that there may not be overcrowding, as is the case with the legal profession.

"Now as to the law in force in this country, I think it is entirely unsuited to this country, as the foundation on which it was based was a law suited to a different nation in different circumstances, and the members of the Committee that drafted the Indian law, however able they may have been, were mostly ignorant of Indian sentiments. If Government could afford to spend a sum of money to have the Indian Penal and Criminal Procedure Codes revised by a joint Committee of English and Indian lawyers, who are thoroughly acquainted with Indian sentiments, as well as some men who are conversant only with the feelings of the people, there would be a great improvement in the procedure as well as the carrying out of justice.

"Now I touch on a point about which I am very keen, and that relates to matters which adversely affect the good administration of the country, either internal or external. By internal I mean the seditious propaganda. Though the Seditious Meetings Act and the Press Act are through Government's kindness on the Statute-book and are effective to some extent, yet unless the mild-looking mischievous papers are dealt with as they really deserve, the situation will remain unaltered. They say in Persian :

'If the harmless cat had wings to fly, it would exterminate the race of sparrows.'

"Now it is evident that the Press Act was passed with a view to put an end to seditious writing. But every law which is intended to check some particular crime ought to be efficient in itself and effective for the purpose for which it is intended. If it does not fulfil the object, it will make little difference whether we have such a law or not. My Lord, the Act hitherto passed has served the purpose of restraining only the papers which are in the hands of inexperienced editors and proprietors, as they are unable to carry on their work with sufficient cleverness. Such persons can be easily caught and punished and they cannot do much harm. The greatest harm which is to-day being done to the country is by means of papers which are in the hands of clever agitators who calmly, quietly and systematically misconstrue and misrepresent the motives of the Government in such a way as to make the people doubt the sincerity of its purpose. The injury done by these people is more effective than it could be done by the editors of the above-mentioned papers.

"Some of the papers in the hands of clever men, being dailies and having up-to-date Reuter's and other intelligence, are run comparatively cheaply and have got a wide circulation, especially among the educated classes. Generally speaking, the circumstances of these classes do not permit them to buy the expensive but loyal papers which are run efficiently. If they read papers of both kinds, they would be able to draw their own conclusions. But as matters now stand, this is not generally the case and they are carried away by the wrong set of opinions.

"There is a Persian saying that :

'Everything that reaches the ear has its effect.'

"It is these papers, my Lord, that require legislation to check their mischievous propaganda. If a paper on account of one or two articles produces an effect that renders it liable to a criminal prosecution, why should not another paper which prolongs the process over a month or two and creates the same effect, if not worse, be punishable under the same law?

"My Lord, we happen to have got some papers of this description in our Province. But I am glad to say that most of the people who edit or contribute to them belong to other parts of the country and are not the natives of our loyal Province.

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"Next we come to our external friends. It is a well-known Oriental saying that a wise enemy is better than a foolish friend. Some of our English friends who unfortunately meddle with our affairs either with a view to advertise themselves or with a sincere desire to serve this country do not know what harm they are doing us owing to their defective knowledge of things here. I wish the English Government provided some means for preventing them from working this injury to us. Many of the sedition-mongers in India are encouraged by these gentlemen, and in order to bring such seditionists to book and to repress their activities money has to be paid from the Indian revenues.

"Now, my Lord, there is another thing which I want to deal with, and that is societies and organisations. Though there are so many societies and various organisations in England, most of them do some good to their country. But such is not the case in India. As to suppress some of the mischievous organisations a great deal of money would be required, I mention them in connection with the Budget. Societies in India may be roughly divided into four classes. Some organisations are purely social, which are harmless. Others are political in the garb of social. They are generally apt to do a great deal of harm. Others again are paper organisations which do no work except keeping the list of a certain number of men under the title of some association and giving address to Viceroys, Lieutenant-Governors and other high officers and officials. The fourth is a class of purely political societies.

"I shall only deal here with the last three of them. It is an admitted fact, my Lord, that organisation is a force and that every organisation is as much desirous of increasing its power as individuals. But seeing that the greatest force in the country is the Government, there is every likelihood that such organisations will like to get more and more power into their hands, which must be at the expense of the force now possessed by Government. This may in the long run prove dangerous to the State, as it has already begun to be evident in connection with the so-called national organisations.

"As for the paper organisations, they are generally meant to benefit the president or the secretary, so that they may come into prominence. Lately such societies have been so successful that they have enabled many people to gain what they wanted. Thus things which really ought to be discouraged have been encouraged in such a way that it may prove very troublesome in the end.

"Thus hard-working individuals, who perhaps do more service to the Government than all the members of some of such associations could do while put together, are sometimes lost sight of and get disheartened, while others who may be desirous of working hard see the case of such disappointed men and, instead of being encouraged to work, get discouraged.

"It is generally believed that the best way of getting on with the Government is either by forming organisations and posing as a leader or by strongly criticising all Government measures, whether good or bad. Those who support all reasonable measures of Government are apt to be neglected, for they are regarded as already conciliated, whom it is not so much necessary to appease. But the old Asiatic custom to which the people were accustomed was the reverse.

"The rest of India, my Lord, cannot understand why a place like Calcutta, situated in a corner remote from England and with a bad climate, should have been selected as the capital of India. I think it will be only fair when funds allow to select as the metropolis of this country a city which will be up to some extent at an equal distance from the remotest parts of this vast continent.

"With regard to Government service, from which everybody expects to derive pecuniary benefit, I want to say a word. In countries inhabited by one nation, every individual tries to maintain the honour of the nation to which he belongs. Such, however, is not the case in Eastern countries, where family honour takes the place of national pride. It is his family honour that every individual has to keep up, and in my opinion it will pay Government in the long run to secure the services of men of good blood, instead of those who have got no traditions to follow.

"My Lord, I now come to my native Province, whose annexation is associated with the name of your illustrious grandfather, which though one of the

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last to come under British rule is not the least in importance. It is the Province from which the famous diamond Kohinoor, one of the brightest gems in the Crown of England, was taken—a Province which, if not the brightest gem of the whole British Empire, is the brightest gem of India.

"The remarkable speech of the Hon'ble Mr. Fenton, in which he put forward what the requirements of the Punjab were, has not been forgotten by most of us here. In order to avoid unnecessary repetition, I would only mention some of them. They are funds for the Plague, Malaria, Kangra, Dera Ghazi Khan, Colonization, Education, the Police, increasing the number of Magistrates and Judges, increasing the staff for collection of land-revenue and water-rates, Railways, the revision of pay of public servants, etc., etc.

"My Lord, I have carefully gone into the figures relating to the population, area, revenue and expenditure of every Province in India, and found that the new Provincial Settlement will be less unfavourable to the Punjab than has hitherto been the case. Though I have learnt from some of my Hon'ble colleagues that one should never think but go on agitating for more and more, my conscience does not allow me to follow such a policy, and I must thank the Hon'ble Finance Member up to some extent for the terms of the new settlement.

"There is, however, one most serious aspect of the case which I want to put before Your Lordship's Council. It will be seen from the census figures that we have suffered most of all from plague, malaria, and various other calamities and our population has decreased by 1·8 per cent. during the last decade.

"Justice, therefore, required that we should have been granted the largest sum of money out of the opium windfall for the improvement of our sanitation. But I am sorry to find that our share of the grant for schemes of sanitary progress is much less than that to which we were entitled. Even Bengal, whose population has increased during the last ten years, gets us as much as the Punjab, while the United Provinces, whose census figures do not show such a serious fall in the population as my Province, receive a larger amount.

"Again, it is well-known that the Punjab is very backward in education and that Bengal and the United Provinces are far ahead of it in this respect. Moreover, the expenditure on education and various other urgent items in the newly springing villages in the Punjab colonies is very great and thus we require more money for education, etc., than almost any other Province. But I find that the educational grant made to Bengal is almost three times, and that made to the United Provinces nearly double, the sum granted to the Punjab. This is hardly fair. Our diminishing population and our lagging behind in education demanded that our share of the opium windfall should have been the largest of all. But we get much less than Provinces whose population is increasing and which have outstripped us in the race of educational progress.

"In conclusion, I would urge on Your Lordship's Government that the Province of the Punjab, as being one of the last to be annexed to the British Empire in India, should be carefully nurtured and all its interests furthered as far as possible by the Government, so that its resources may be developed equally with those of other Provinces and that it may be able to maintain its proud position as the vanguard of this vast Indian Empire."

The Hon'ble MR. QUIN : "My Lord, if on this occasion I make only a cursory reference to the items in the Budget which relate to special grants to the Provincial Governments, this is due only to my desire not to trespass unduly on the time of the Council and should not be ascribed to any dissatisfaction on the part of the Government of Bombay with the share which has been allotted to them from the surplus revenues of the Imperial Government. We have received a substantial contribution for non-recurring expenditure on Education and Sanitation, and a very welcome recurring grant towards Police Reorganization. With these we are quite satisfied, and it is an additional source of gratification to the Government of Bombay that their request for a subvention to the City of Bombay Improvement Trust has been acceded to. But what I wish particularly to say to-day relates to the more important matter of the new Provincial Settlement, and here again I am glad to be able to sound a note which is mainly one of satisfaction.

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"I have no intention of wearying the Council with any statement of the details of the new settlement, and I proceed at once to remark that so far as the purely financial aspects of the settlement are concerned the Government of Bombay are much gratified at the conversion of fixed assignments into growing revenue, and cordially acknowledge the liberality of the terms on which the conversion has been made. The settlement has been based on the Budget figures of 1910-1911, and already there are satisfactory indications that the new arrangement will prove more favourable to the Provincial Government than were the old. It is not, however, the mere financial result of the new scheme which appeals most to the Government of Bombay. The principle underlying the settlement is the matter of real importance. The intentions of the Government of India in making these new settlements were fully set forth in this Council a few weeks ago by the Hon'ble the Finance Member, and the views then expressed by him have been warmly welcomed by the Government of Bombay, who fully appreciate not only the intentions but also the promptitude with which the practical measures to give them effect have already been taken by the Central Government. The extent to which the Government of India have hitherto interfered with the budget arrangements of the Local Government has always been a sore point, and it is specially satisfactory to find that their intervention will now be confined, as indeed it was this year, to the total revenue and expenditure in the Local Government's estimates, the details, save those under divided eahds, being left entirely to the Provincial Government.

"But while there is so much that gives cause for satisfaction in the terms of the new settlement, I hope I shall not be considered ungracious if I have to point out that this settlement has not yet been made complete, and that there are still some points in respect of which it is not altogether acceptable to the Local Government. The Hon'ble the Finance Member has told us that apart from special emergencies, the new arrangements are 'fixed, rigid and permanent.' It is in consequence more especially of this pronouncement that I have to ask the further indulgence of the Council while I make the briefest possible allusion to a few matters which are either unacceptable to the Local Government which I represent, or have been altogether omitted from the settlement as described by the Hon'ble the Finance Member.

"First among these I would mention the intimation that a Province will not in future be allowed to budget for a deficit in its current revenue and expenditure unless it satisfies the Supreme Government that the excess expenditure is due to a wholly exceptional and non-recurring cause. Now, a Provincial Government has at all times a keen interest in the state of its balance and under the new settlement that interest will be even greater than before. There is, therefore, practically no danger of a Provincial Government extravagantly depleting its balances, and the Government of Bombay do not see what good purpose is served by holding that the objects on which alone any part of that balance may be spent should be wholly exceptional as well as non-recurring. They agree entirely with the Government of India that their recurring expenditure for the year should be kept well within the revenue of the year, and they are ready to maintain what might be called an 'ordinary' balance, well above the minimum balance and sufficient to meet all the probable contingencies of the year; but they claim that they should have full liberty to deal with any excess over that ordinary balance as they deal with any other of the resources at their command, subject of course to the understanding that sums taken from the balance will be expended on non-recurring objects only. Time does not permit me either to illustrate or to give detailed reasons in support of this contention, but it is one which the Government of Bombay regard as entirely compatible with sound finance, and I am to commend this matter to the sympathetic consideration of the Hon'ble the Finance Member.

"My second point refers to the allocation of expenditure from special grants which the Government of India may from time to time be in a position to make from its surplus revenues. At present it is usual for the Government of India to earmark these grants for expenditure

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under a major head selected by them. The Local Government now desire to urge that the object of the expenditure should be determined locally, because, to use a homely adage, it is the Local Government which knows where its own shoe pinches. The Government of Bombay are of course willing to give the most careful consideration to any suggestion which the Central Government may make ; but they hold that it is they themselves with the advice of their local Council who ought to have the last word in the matter. This surely is in accord with the new policy of increasing both the independence of the Local Government and their responsibility for the proper expenditure of the public funds entrusted to them. It is true that the terms of the new settlement in respect of this matter are not less favourable than those of the old ; but the Provincial Governments are looking to the new settlement to loosen some of the old bonds, not to retain them in their existing rigidity ; and it is from this point of view that the pronouncement of the Finance Member on the point I am now discussing gives ground for grave disappointment.

"One further detail, before I mention, very briefly, a few matters of weightier import. We have been told that if for any special and temporary reason a Local Government has exhausted its own balances and receives permission to overdraw it will have to take a loan from the Imperial Exchequer and pay interest on it. I trust it will be many a long day before this matter becomes of any practical importance to the Government of Bombay ; but as the new settlement is being specially invested with a character of permanency, it is suggested for the consideration of the Hon'ble the Finance Member whether it would not be fair to except from the working of this rule, regarding payment of interest, the case of a Local Government whose Province was visited with—not one year—but a succession of years of severe famine. Such an affliction might well exhaust the balances of the wealthiest Province, even when aided by the Famine Relief Fund ; and it would not be just to penalise a Local Government by charging it interest on advances which the dire stress of famine alone had compelled it to take.

"I turn now to other matters bearing on the Provincial Settlement which are of very great importance, but as they have already been much discussed I will deal with them very briefly.

"The first is the question of Provincial taxation, and concerning this I will at once say that while the Government of Bombay welcome the admission made by the Hon'ble the Finance Member that the propriety of raising special Provincial taxation may have to be considered in the future, they would have been glad to see a more definite place assigned to this subject in the arrangements for the new settlement. It is difficult to see how this legitimate source of revenue can for much longer be permitted to be neglected. It is certain that in the not far distant future the Provincial Governments will have urgent calls upon them for expenditure which they cannot meet from their growing revenues, and the necessity for local taxation will then become uncontested. To exercise the power of taxation will then be an obligation on the Provincial Council to be regarded as attached to the enjoyment of financial independence.

"The second is the question of borrowing by Local Governments. The Government of Bombay are strongly of opinion that the power to borrow, whether in the open market or from the Government of India, should not be withheld from Local Governments. The Hon'ble the Finance Member was silent on this point when making his statement the other day, but the matter is presumably under consideration in connection with the report of the Decentralization Commission, and I need now only express the hope that a decision will be arrived at shortly, and will be in favour of the view put forward by the Government of Bombay.

"It would of course be desirable to have proper safeguards to prevent competition among Local Governments, to fix a prescribed rate of interest, and other details. But subject to this, and, if necessary, to the sanction of the Government of India, the experiment of Provincial borrowing in the open market might safely be tried, and it is the opinion of the Government of

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Bombay that if this were done the Local Government would tap local sources not reached by the Government of India.

"There is one other point. In 1907 certain restrictions were placed on the powers of Local Governments to deal with loans borrowed by Local Bodies in the open market. The Government of Bombay consider that these restrictions were unnecessary. For this reason and in order to increase the independence of local finance they would be glad to see them removed.

"And now I have almost finished, but before I sit down I would venture to sum up the remarks which it has been my duty to make regarding the new settlement. From a purely financial point of view it is almost entirely satisfactory so far as it goes, but in the opinion of the Government of Bombay it does not go far enough, inasmuch as no settlement can be regarded as complete which fails to make definite provision for Provincial taxation and for Provincial borrowing in the open market. On its administrative side the settlement is not wholly satisfactory because some of its terms are such as may easily lead to undue interference by the Central Government. We look to the new settlement to give a great increase of real power to the Provincial Government, and I desire here, in conclusion, to invite attention to a consideration which the Government of Bombay regard as of the utmost importance in this connection. The enlargement of the Provincial Councils, on which there is now a majority of non-officials, has effected a radical change in its constitution, and the Government of Bombay have now at hand to assist it in matters of finance a Council so composed as to be fully capable of successfully administering its own finances. This Council cannot be expected to attract and retain the best men unless it be given real power in respect of the finances of the Presidency and be permitted to exercise this power free from all checks and restrictions which are not absolutely essential to the maintenance of the general control of the Imperial Government."

The Hon'ble MR. PHILLIPS : "My Lord, in offering a few remarks on the Budget, I shall confine myself to those aspects of it which concern the Central Provinces which I have the honour of representing officially in this Council. From a Provincial point of view the most important feature of the Budget is the inauguration of permanent contracts between the Government of India and Local Governments. In the Central Provinces the changes introduced to make the contract permanent are the provincialisation of all revenue from forests and the increase in the Provincial share of the excise-revenue, and there can be no doubt that these changes will greatly improve the financial situation. But, at the same time I venture to point out that in the excise-revenue, owing to its very nature, there is an element of uncertainty which is likely to imperil the permanence of the contract. This revenue has in the past shown itself liable to great fluctuations, and it is undoubtedly of a fickle character. The estimate of receipts from excise for the coming year is 84 lakhs of rupees, and it is not improbable that in a short time the full normal demand may be 88 lakhs. On the other hand, it may fall to 66 lakhs, the amount realised in so recent a year as 1908-09. If this amount be compared with 88 lakhs, it will be seen that the loss to Provincial finances would have been, under the old contract, 11 lakhs, whereas now it would be 16½ lakhs; that is to say, more than 1½ times the prescribed minimum balance for the Province. In this manner the whole of the Provincial balance might easily be swept away in a single year, and the main object of the new contract, which is, I suppose, to provide funds in the shape of a large share of growing revenue to meet increased recurring expenditure on improvements in administration, would be defeated; for presumably it is not intended that the increases in good years should be saved up by keeping the administration at a stationary level in order to maintain the balance in bad years.

"The position would be rendered considerably worse by the occurrence of famine if the policy which was pursued in the Central Provinces in the famine of 1907-08 were to be followed again. I adverted to this topic in my speech on the Budget last year, and it has again been alluded to by my Hon'ble friend Mr. Mudholkar to-day. Still at the risk of being wearisome I propose to state the facts again as briefly as I can, as some statement is necessary in order to explain my point. In dealing with the famine in the year which I have

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just specified, the Central Provinces Administration adopted the policy of extending the programme of ordinary works carried out under contractors instead of establishing regular famine relief works. This policy met the requirements of the situation adequately, and it also had the advantages of securing economy in the expenditure of public money and in avoiding the demoralisation of the people. But it had the great disadvantage to the Local Administration of casting on the Provincial finances the burden of carrying through that policy, whereas, if the usual course had been followed, the whole cost of the famine operations would have been thrown, and legitimately thrown, on Imperial revenues. The famine cost the Local Administration 44 lakhs—22 lakhs in direct expenditure and 22 lakhs in loss of revenue, while at the same time the Imperial revenues were saved from charges amounting, at a moderate computation, to some 60 lakhs. The result was the impoverishment of the Local Administration. Now, despite the crippling tendency of this policy, it would certainly be followed again if unfortunately a famine were to occur again in the Central Provinces, for I think there can be no doubt that it is the right policy : at any rate, it has had the warm approval of the Government of India. But of course it would again seriously deplete Provincial revenues and a severe blow would thus be struck inevitably at the permanence of the settlement. With a view to obviate the drawbacks which I have just mentioned, I am instructed by the Chief Commissioner to make two suggestions. The first is that the Government of India should guarantee a minimum revenue from excise as in the case of land-revenue : possibly a guarantee of 63 lakhs, based on a gross revenue of 84 lakhs, might be considered not unreasonable. The second suggestion is that some modification should be made in the conditions which now govern the apportionment of expenditure on famine relief between the Provincial and the Imperial Government. It seems only reasonable that if the Government of India have bound themselves to bear all the cost of famine relief in circumstances involving extensive operations and the expenditure of large sums of money, they should undertake to bear a portion, if not the whole, of the charges incurred in less expensive measures of a more restricted but equally effective character, directed just as much towards the alleviation of real distress. This is not the time and this is not the place to enter into a detailed examination of these points. I have merely put them forward tentatively because the Chief Commissioner does not wish to be estopped by the implied assent of silence from making further representations after a further consideration of the subject, should that consideration indicate that such representations may be fairly and reasonably made.

"To turn to another matter, I am authorised to express the grateful thanks of the Chief Commissioner to the Government of India for the substantial non-recurring grants made by them to the Central Provinces for Education and Sanitation. I may remark that the Chief Commissioner would have been still more grateful if these grants had been of an even more substantial character. The Hon'ble Mr. Dadabhoy has said to-day that the principles of the apportionment of the opium surplus elude examination. To the uninitiated this certainly appears to be the case. But we have been assured that the distribution between the various Provinces—a matter, it must be admitted, of no small difficulty—has been made after full and anxious consideration ; and presumably all the various claims have been fully weighed, including the special claim of the Central Provinces to generous recognition at the hands of the Government of India, to which I referred last year, and which I have indicated incidentally again to-day.

"I will only mention that large expenditure on primary, secondary and industrial education in the Central Provinces is essential if they are to be made really efficient. Similarly, large expenditure on sanitation is necessary in order to effect substantial and lasting improvement. But if the large developments in both directions which are already seen to be looming ahead are to await the slow growth of provincial revenues and are not to be assisted with funds from other sources, it is very doubtful whether Provincial revenues will suffice."

The Hon'ble MR. MADGE: "My Lord, some of the earlier speakers this morning have treated the Financial Statement as a game of skill and chance in which chance was the more influential of the two factors. I would rather

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associate myself with the two later speakers who recognise the wisdom with which adjustments have been made. They seem to me to be so made that even if any unforeseen calamity should arise, the whole of the adjustments would not be dislocated and thrown out of gear. The one item that I would exclude from this congratulatory remark is the item that embraces recurring—or what should be recurring—charges and debits them against non-recurring revenue—Education and Sanitation. I tremble, my Lord, for the fate of European education particularly. While I recognise most thankfully the additional grants that have been made for European education, I feel that while the machinery of most other kinds of education in this country is in such a state of perfection, or so advanced, that a little more or less one year or another will not disorganise them, in the case of European education I may say that a start has really to be made, for there has been no serious effort, in my humble opinion, to tackle the real difficulty. In the evidence that I was privileged to give before Mr. Orange's Commission I pointed out one or two things. One of them was the absolute necessity of a normal college for the education of teachers. One of the greatest wants of this country, one in which Indians as well as the Domiciled are equally interested, is trained teachers—teachers who shall be so brought up to their profession that they will stick to it all their lives. As a matter of fact, as regards European education just now, if we except a few qualified teachers who are mostly imported, the young men and young women who take to teaching in this country look upon it just as a stepping-stone to something else; and there are schools in which young people who have taken to teaching from actual love of the profession, have had to abandon it because there have been no prospects in it. I do earnestly hope that the grants for European education in future will be put upon such a footing that there will be no fluctuation from year to year in the support that will be given to our larger schools.

"Another point is that there ought to be some concentration in European education, and in case it might be said that this is the duty of private enterprise rather than that of Government, I would just like to point out, very briefly, what an important part Government has to take in a question of this kind, because it has to lay down the standards and the inspection, and those two items exercise a great influence over anything that is done in the shape of European education. Hoping that these few remarks will be taken into consideration in future, I would now like to pass on to the underhanded condition of some of our larger Courts of Justice. In Calcutta, my Lord, when a few years ago it was pointed out that the profit from 'Justice' alone amounted to something like half a crore of rupees, the High Court here was seriously undermanned. Since that time some changes have taken place and I understand that the Commercial Court that has been established has given considerable relief. But although I maintain that the commercial interests are fully entitled to every consideration that they can receive from the Government, it is a very serious thing, my Lord, that in the informed opinion of the whole country the High Court is very much undermanned. I am quite aware that before any change could be made statutory changes must precede them, but there is no reason why, if the Government took up the subject and made suitable representation and pointed out the very large income that is secured from court-fees and other sources—how indeed the administration of justice which has never been regarded as a source of revenue, how all this takes place, that the country is entitled to have its higher Courts so manned that there shall practically be no denial of justice, as often happens in cases in which suits lie over from year to year and are sometimes withdrawn in sheer disgust.

"I want, my Lord, to recommend for the consideration of the Government two other points connected with two different matters, and one is the postal revenue. What I have said about the revenue from the administration of justice applies to a smaller extent to the postal revenue, and I do wish both that the registration fees and that the charges for parcel post were reduced. Among the wealthier class of customers it seems to be a matter of no moment whatever whether one anna or two annas are charged for registration, but really with a large class of people to whom an anna is a matter of some importance it does make a difference whether the registration fee is one or two annas. Also

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as regards the parcel post it has been pointed out by people in the public Press that the rates were comparatively high when compared with those of all other countries and even with the reduced charges for packages all the way home from India. I am quite aware of the very different conditions that prevail in different countries, and I merely wish to press this matter upon the earnest consideration of the Department concerned, that if it is possible some reduction may be made in the charges for parcel post and some reduction also in the registration-fee in some year to come if not immediately.

"The other and the last subject on which I wish to make a remark is the provision of cold storage on railways. This is a matter, my Lord, that is also of some little importance. Those who will make an inquiry will find that, though there is much reason to be thankful for the large provision of fruits that come in from all parts of the country to our larger cities, the proportion of fruit that come absolutely rotten because they have come from great distances is simply distressing ; and if cold storage should be provided, I am quite sure that large sections of the community everywhere in India would feel really thankful to the Government. Not only would fruit and vegetables pour into our larger cities and also into small mafassal stations where they would be highly valued, but also fish from the seas would be taken up to hill stations where I believe fish is very scarce the greater part of the year. I do not know whether it would be any temptation to the City in the hills which has sometimes been called the Capua of India to be provided with *topsee mach* during the season. But certainly there are other cities which would be very thankful if they could be provided, by means of cold storage, with fish from salt water."

The Hon'ble MR. GOKHALE : "My Lord, I understand that my Hon'ble friend Mr. Gates intends to criticise certain remarks on the financial past of Burma made by me the other day in the course of the debate on my resolution about the growth of public expenditure in this country. In view of that I had meant to wait till the Hon'ble Member had spoken before rising to speak. As, however, the Hon'ble Member wishes to have the last word in this matter and I do not particularly mind his having the last word, I am quite willing to let him have his way, especially as he has very courteously given me an idea of what he proposes to say and has also given me his permission to reply to his criticism by anticipation. Before I avail myself of that permission, however, I think I should refresh the memory of the Council in connection with the point at issue between the Hon'ble Member and myself. My Lord, the Council will remember that when I moved my resolution urging an inquiry into the growth of public expenditure last January, the Hon'ble Mr. Gates attacked my proposal in a speech which may still be in the recollection of this Council, and in the course of that speech he described the Budget of Bombay as a bloated Budget. When it came to my turn to reply, I indulged in a retort—a retort obvious to all who knew the financial history of Upper Burma ; I said that if the Budget of Bombay was a bloated Budget, in any case we paid every penny of it ; that when Upper Burma, which had lived for nearly 20 years on other Provinces, refunded to the Government of India what it had drawn from other Provinces, then it would be time for the representative of Burma to speak of other peoples' bloated Budgets. Now, my Lord, the first observation I would like to make in this matter is this—that I quite recognise that the Hon'ble Mr. Gates only indulged in a sort of bantering expression when he spoke of the bloated Budget of Bombay ; but then my retort too was a bantering retort—intended at the time to be a mere debating retort and nothing more. However, like all bantering retorts, which have an element of truth in them, my retort has gone home, and I find some feeling exhibited in the matter even in Rangoon—I have seen articles in Rangoon papers on the subject. As this has happened, I am quite prepared to put all banter aside and to take the question up as a serious question to be argued in a serious spirit, and I will argue it in that way to-day. So far as the proposition that I made last January is concerned, *viz.*, that Upper Burma was not, for nearly 20 years, able to pay its way, that, of course, is a historical fact ; any one who knows the financial past of Upper Burma knows that. Upper Burma was annexed in 1886. From 1886 to 1897—a period of

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eleven years—the accounts of Upper Burma were kept separate, and during all these years, as the Hon'ble Mr. Gates himself will admit, Upper Burma showed a heavy deficit year after year. It was as high as over 2 crores of rupees for the first year, and for the last year it was nearly a crore—about 95 lakhs. Then the accounts of Upper and Lower Burma were put together, and, of course, after that we have no direct means of knowing how much Upper Burma cost the Government of India. But there is plenty of indirect evidence to show that the deficits of Upper Burma continued for about 7 or 8 years more. That means that if the accounts of Upper Burma had continued to be kept separate, it would have been 18 or 19 years before Upper Burma was able to make the two ends meet. So far, therefore, as my actual proposition is concerned, it is absolutely unassailable. The Hon'ble Member, however, may say, 'Oh! you must not take part of a Province like this! And Upper Burma is only a part of the whole Province of Burma!' But even before Upper Burma was annexed, Lower Burma was not paying its way. The utmost that may be conceded for the sake of argument is that Lower Burma was just paying its way when Upper Burma was annexed; still when Upper Burma was joined to Lower Burma, a deficit ensued, and that deficit had to be made good by the Government of India. Therefore, my position is not shaken even if you put the accounts of Lower Burma with those of Upper Burma. But, my Lord, my Hon'ble friend, the non-official Member from Burma, Maung Bah Too, has most unexpectedly come to my assistance in this matter. He asked for a return the other day, and only 4 or 5 days ago a return was placed by the Government on this table, which is a crushing indictment of the financial position of Burma, even taken as a whole. The return is a Government return, and I shall be glad to know what the Hon'ble Mr. Gates has to say to it. The return shows that from 1860 up to 1903-04—the year in which the return was prepared—the whole of Burma, Lower and Upper, taken together, had not been paying its way. It was not therefore only Upper Burma, for a period of nearly 20 years, but the whole of Burma for more than 40 years that was not paying its way—I do not know how it has been since; probably things have been slightly better, but they cannot be very different. I am therefore prepared to modify my original proposition that Upper Burma had not paid its way for nearly 20 years and say that the whole of Burma had not paid its way for more than 40 years. If that will please the Hon'ble Member, he may have this proposition—this time made not in banter, but in sober seriousness!

"But, my Lord, this is not all. This return, which was prepared by the Accountant General of Rangoon, tries to give every advantage to Burma in the calculation. For instance, Burma is charged, not with its fair share of Military expenditure, but only with the cost of the troops actually located in Burma, and that is really very small compared with the whole Military expenditure of India. Then, as to non-effective charges in connection with the Army, Burma is charged, not with the usual percentage of 42, but only with a percentage of 33. There are other charges also made on a smaller scale than in the case of the rest of India; and finally there is this significant omission here. The return says that the deficits, shown in the table appended, for more than 40 years, are exclusive of certain items which have not been taken into account—items for which Burma should be charged, but has not been charged, in this calculation. Thus, Burma is not charged in this return with its share for Civil and Public Works pension and furlough allowances in India; Burma is not charged with its share of the capital cost in connection with telegraphs; Burma is not charged with any contribution to the Royal Navy and Royal Indian Marine; finally, Burma is even not charged for her fair share of the Central Government in India. Exclusive of all these charges and giving every advantage to Burma, this return, prepared by the Accountant General of Rangoon, and laid by the Government of India on the table of this Council, shows that for more than 40 years the whole of Burma was not paying its way; and as a result we find that Burma is indebted to-day to India to the tune of about 62 crores of rupees. The other day I pointed out that the unproductive debt of India is 37 millions or about 55 or 56 crores of rupees. If Burma had not been with us, we should have had no unproductive debt."

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to-day and have been 6 or 7 crores to the good. It may be contended by the Hon'ble Member that it is not fair to begin the account, as this return does, with the debt charges, due on account of the First and Second Burmese Wars. But it must be remembered that that has been the practice of the Government of India in connection with its own accounts in this country. England has never borne any part of the cost of the wars or of the measures that were necessary to put down the Mutiny, or any other debt that has been raised in this country. India has paid the whole cost of all the wars; India has paid the whole cost of putting down the Mutiny; India has borne the whole responsibility for every debt that has been raised in connection with this country. If Burma wants to be considered separately, then Burma must also be prepared to undergo the same treatment; and that treatment has been applied to Burma by the Accountant General of Rangoon, with results well worth the study of the Hon'ble Member.

"There is one thing more I want to say in this connection. Taking the positions of Burma and Bombay, even to-day, what do we find? It is usual to apply two tests in such comparisons, the test of population and the test of area, to judge as to what is the burden of taxation in a Province. I think both tests are largely fallacious, but if these tests have to be applied, they must be differently to different heads of revenue. For land-revenue and forests, I think, the proper test to apply is the area test; for stamps, registration, assessed taxes and excise, on the other hand, the proper test to apply is the test per head. Applying the tests in this way, I find that Bombay pays per head for assessed taxes, stamps, registration, and excise, Rs 1-10 per head, whereas Burma pays Rs 1-6-10 per head. As regards land-revenue and forests, I find that Bombay pays Rs 0-15-3 per square mile, whereas Burma pays Rs 0-13-3, and this in spite of the fact that Bombay is largely handicapped by Sind. Thus, even omitting salt and customs, Bombay taxation is higher than that of Burma.

"I will now pass on to offer a few observations on the Financial Statement which the Hon'ble the Finance Minister has laid before this Council. My Lord, the most interesting portion of the Financial Statement is that which deals with the question of Provincial finance. Undoubtedly a very important step forward has been taken and the Hon'ble Member is entitled to speak with legitimate pride of what has been done. When, however, he describes these new Provincial settlements as permanent, a question arises as to whether the use of the term is justified. Looking at the new settlements in a large way, we find that there are four special characteristics which may be noted. The first is that there will be in future a withdrawal of all minute control over the Budgets of Provincial Governments. The second is that the doctrine of contractual responsibility will be enforced rigidly in future in the case of all Provincial Governments. The third is that, as far as possible, Provincial revenues will be derived from portions of growing revenues and that large fixed allotments will not be made hereafter to the Provinces. And the fourth is that a further step has been taken in the direction of the provincialization of certain revenues, forests in all cases, and excise in the case of Bombay and Eastern Bengal and Assam. Now, these are all very important features, all four of them. But even so, I do not think that the new settlements are likely to be any more permanent than the previous settlements were. Let us consider the matter in some detail.

"As regards the withdrawal of minute control over the budgets of Provincial Governments, I think everybody will congratulate the Finance Department on what it has done. It is a very important change, and I think that it will largely free the Local Governments from that unnecessary and vexatious interference of which they had reason to complain. I think this, in some respects, is the most important change which the new settlements make, and it is sure to be attended with excellent results. As regards the doctrine of contractual responsibility, that of course has always been there; and simply because the Hon'ble Member expresses himself with some emphasis on the subjects, it does not mean that it is a new doctrine, though I admit that if he is able to ensure the Local Governments not budgeting for a deficit, or borrowing from him whenever their balances fall below the minimum, I think

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that will be a departure. I do not know, however, how far it will be possible to enforce this in practice. I have my doubts about this. The third change is, no doubt, very important; but the principle of it had already been accepted and we have now only a further advance in giving the Local Governments a larger proportion of the growing revenues. The advance, however, is so substantial as to reverse the old practice of making fixed allotments to Provincial Governments. In place of that, we have now the Imperial Government receiving a net fixed allotment from the Provincial Governments taken together, and that is a move in the right direction. The last change is also a further extension of a principle already accepted, because registration had already been wholly provincialised, and what the Finance Department has now done is to provincialise forests in all cases and excise in some cases, which is only extending a principle, already accepted, still further.

"While, therefore, all the four changes are important, there is nothing in them except in the first—that which relieves the Local Governments of all minute control—which is quite new, though in each case there is a substantial advance. But my fear, my Lord, is that these settlements will not prove any more permanent than the last quasi-permanent settlements, or than even the old quinquennial settlements; I fear that the whole position is such that there cannot be any permanent settlements at the present stage between the Provincial Governments and the Government of India. The root of the mischief lies in this. The Government of India has at its disposal too large a share of growing revenues, and its expenditure is principally confined to the Army and to a few services which are directly under it. The result is that while there is a continuous tendency to spend more and more on the Army, after those claims are satisfied, large surpluses accrue to the Government of India; and when these surpluses are realised, the Government doles out a portion of them to the Provinces. Now, the Provinces habitually expect these doles and the expectation of the doles is thoroughly demoralising. If therefore you want any element of permanence in your Provincial contracts, it is necessary, first of all, to see to it that the Government of India has no large surpluses to dole out to the Provinces, and this can only be ensured by reducing the resources which are at present at the disposal of the Government of India. What I propose, my Lord, is that instead of receiving its whole income from growing revenues, the Government of India should receive large fixed contributions from Provincial Governments, say, up to about one-third or one-fourth of its revenues, the other two-thirds or three-fourths being derived from growing resources. I think in this matter it is desirable to examine the practice of other countries, and there are three countries which can supply some sort of guidance to us on this subject—Switzerland, Germany and America. Switzerland, however, is a very small country, and I will therefore leave it out of consideration. The example which I think we should follow in this matter is that supplied by Germany. America is too advanced for us, because the federal finance of America is entirely separate from State finance, and it will be a long, long time before we reach that stage, if we ever reach it at all. But in Germany, my Lord, while the Empire has its own independent revenues, and the component States have theirs, the component States also make large contributions to the exchequer of the Empire. In fact, nearly one-fourth of the revenue of the Empire is at present derived from fixed contributions from the component States, and about three-fourths is derived from independent sources, such as Customs and Excise and Stamps. Now, I think, this is the direction in which we have to seek a solution of our problem. The Government of India should have about one-third or one-fourth of its revenue derived from fixed contributions made by the Provincial Governments. This will reduce the possibility of large surpluses being realised by the Government of India, and diminish the chances of doles being given to the Provincial Governments. As I have already said, the policy of doles, which has been condemned by successive Finance Ministers, and also by several Members of the Decentralisation Commission, is a thoroughly demoralising policy, and if you want any strong financial responsibility to be felt by Provincial Governments and the doctrine of contractual responsibility to be strictly enforced, you must see to it that this practice of the

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Government of India giving doles to Provincial Governments year after year is stopped—indeed rendered impossible.

"I had intended going into this in some detail, but I see that my twenty minutes are nearly up and I must conclude. I will therefore content myself with making only one or two observations. My Lord, taking the real revenue of the whole of India as estimated in next year's Budget, we may put it down at about 83 crores or 55 millions for the next year. As I explained on a previous occasion, I leave out in this refunds and drawbacks and assignments and compensations, as also the cost of production of opium; and the Commercial Services I take net. Out of this 83 crores, about four-sevenths is now the revenue of the Government of India and three-sevenths is the revenue of the Local Governments. Now, I think it is possible to assign the principal heads to the Imperial and Provincial Governments in such a way that the Local Governments should have at their disposal a little more than the revenue which they at present enjoy, and the Government of India should have at its disposal a little less than what it has at present.

"The excess, which the Local Governments will thus get, should come back to the Government of India in the shape of fixed assignments, which, of course, would not be capable of growth, and to that extent the Government of India would have inelastic revenues at its disposal. On the other hand, as the Government of India will have customs-revenue, and as it will realise more and more from this source, I do not think that there would be any difficulty as regards the total revenue of the Government of India being sufficiently elastic. I think, my Lord, that the Government of India could and should raise much more revenue from customs than they are doing to-day. In Germany I find 57 millions are raised by customs; in America 60 millions are raised by customs; so that there is plenty of margin for raising a larger revenue from this source in India. My proposal, therefore, is this, that certain principal heads should be provincialised straight off. I would begin with land-revenue, excise and forests, making them over to Local Governments, and such Local Governments as would get from them more than they actually require just now should be called upon to make fixed allotments to the Government of India. As the Government of India's revenue from its own sources, such as customs, grows, more and more of the other heads should be provincialised. So far the advance has been from centralized finance to decentralized finance. When the process of decentralization is completed—and we are yet a good way from completion—we have to advance from that to federal finance, which should be our goal. And I have indicated briefly how we may gradually proceed towards a federal basis.

"There is one matter of some importance on which I would like to say a word before I finish, and that is the question of Provincial taxation raised by my Hon'ble friend Mr. Quin. My Lord, this is a very important matter, and I quite recognise that Provincial finance will not attain an independent position unless and until Provincial Councils have the powers of taxation; but I think this is a very difficult problem, and things generally will have to advance a great deal before these powers can be safely conferred on those Councils; in any case, I urge, there should be no hurry in regard to this. I think, in the first place, the present practice of discussing Provincial Budgets must be well settled, and the public opinion in the different Provinces must make itself felt by the Provincial Governments much more than it is doing to-day. Secondly, before powers of taxation are conferred on Local Governments, it is necessary that every Local Government should be a Council Government, with a Governor at its head, coming fresh from England. And, thirdly, it is necessary that there should be an elected majority of Members in these Councils. When this position is reached, I think powers of taxation may safely be entrusted to Provincial Councils, but till then I would keep those powers in the hands of this Council. Finally, as regards borrowing, that will have to come after powers of taxation have been conferred, but I fear it will be some time before we are actually able to take these steps."

The Hon'ble MR. GATES: "My Lord, it is quite true that there was some friendly rivalry between the Hon'ble Mr. Gokhale and myself as to who should

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speak before the other. The Hon'ble gentleman has exercised the right of reply so often that he perhaps thought that it was vested in him. But on this occasion he has courteously agreed that he should address the Council before me. I will come presently to the points in difference between him and myself, but first I have a few remarks to make about the finances of Burma. Last year it was my duty to represent the urgent distresses and necessities of Burma. I pointed out that the rate of taxation per head was high, that the scale of prices and wages was also high and raised the obligatory expenditure and the cost of public works. I pointed out that the estimates of income were extremely sanguine, and had by no means been realised, neither the standard or basis figures, nor the annual increases. And, lastly, I pointed out that one-fifth of the income of the Province was derived from a fixed grant which was insusceptible of growth. This year, it is, in the first place, both a duty and a pleasure to recognise the extent to which the representations of Burma have been met. The proportion of fixed to total income has been reduced from 20 to about 3 per cent. That is a considerable concession for which my Government and the people of my Province will be grateful; but I am sure the Hon'ble the Finance Member will not be so sanguine as to think we shall be contented. In the first place, considering that a large part of the land-revenue of Burma is furnished by special taxes paid in Burma alone, such as the *thatthameda* capitation and fishery taxes, we had hoped either that we should get the proceeds of those special taxes or that we should get three-fourths of the total land-revenue, or that we should get a considerable share, or perhaps the whole, of the rice export-duty which falls, in part, on the cultivators and reduces land-revenue rates. We should have been willing to give fixed grants to the Imperial Exchequer to reduce our income to a reasonable, but not too meagre, figure. And the second point is this. The miscalculations of income have now been admitted, and we have lost no less than 130 lakhs in the course of four years as compared with the anticipations framed by the Finance Department at the time of the settlement. We had hoped that in a year of prosperity the Government of India would have recouped us for a considerable part of this loss. It is true we have got 40 lakhs (I shall come to that presently), but that is all earmarked for special expenditure, and none of it can be said to be available for general needs. Now, in speaking of the grants to the various Provinces, I start by the assumption, by the confident assumption, that the Government of India desire to be just and impartial, and I will ask my friends who represent other Provinces to bear with me while I make a few remarks on the grants to their Governments.

"The Madras Government gets 22 lakhs for the constitution of additional districts. In our rapidly growing Province, new districts have to be constituted from time to time, but we have never had a grant for such a purpose before. A scheme for a new district is now in hand, and I hope we shall get a grant for it. The United Provinces and the Punjab get 9 lakhs for relieving the municipalities from all police-charges. The municipalities in Burma were relieved from all police-charges some years ago, but expenditure on other objects was imposed on them in order to counterbalance this relief. Ought not Burma to get a grant to balance this countervailing expenditure? Then, I notice that the Punjab gets 10 lakhs for the Lahore General Hospital. A year or two ago a similar grant was given to Lucknow. There is a new general hospital in Rangoon for which a similar grant would be most welcome. Bengal gets 7 lakhs per annum, in view of its peculiar difficulties. It also gets by far the largest grant for both sanitation and education. It seems to be the "Prodigal Son" for whom the fatted calf is killed. I am afraid we cannot be very grateful for the 25 lakhs which was referred to with some emphasis in the first edition of the Budget Memorandum, paragraph 10; I hope that the omission of that reference in the second edition indicates that the Hon'ble Finance Member agrees with the view which I am now going to state.

"When the Provincial Settlement was concluded, the Rangoon River scheme was said to be entirely outside of it. At a later date the Province was directed to contribute 25 lakhs. Now, those 25 lakhs are refunded. We are grateful to get justice on this point, but the refund is no more than justice and not a pie is available for the general needs of the Province.

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"Now I come to the Education and Sanitation grants. Here also, no doubt, the Government of India desire to be impartial, but the result seems to disclose the inherent defects of the system of doles. The amount is distributed, I suppose, according to the schemes which the Provinces have ready and can produce. The result is that a Province which has spent a great deal on Education and Sanitation in the past may get the smallest share in the distribution of these surpluses. And money is given not for the total needs of the Province, but only for the kind of expenditure which happens to be fashionable at the moment. The Provinces which have expanding revenues may be pardoned for thinking that they should not pay for the Provinces which have stationary revenues. In Burma, we feel a mistrust of this system. We are far away while others are nearer, and we are not likely to get early information. We think that we are likely to have to pay for other people and not get very much for ourselves. A policy of financing Education from the Central Government is likely to meet with strong opposition from the Provinces which pay more and get less.

"In claiming for Burma its fair share of the revenues of India, I think it necessary to deal with the statement which, as the Hon'ble Mr. Gokhale has reminded us to-day, was made by him about two months ago. The statement occurred at the close of a passage which seemed to me to reveal a curious view of Burma. I was reminded of the practice of the Homeric Greeks who, knowing nothing of the Ethiopians or but little, were accustomed to speak of them as blameless. I commend that example to those whose knowledge of Burma is not great. The statement occurred in one of the Hon'ble Member's lucid and eloquent speeches, but it seemed to me at the time that the lucidity was accompanied, as light not unfrequently is, by a certain amount of heat, and that the statement about Upper Burma did not display that accuracy and that close connection with the subject under discussion which we are accustomed to expect from the Hon'ble Member. In fact, I confess that when I heard that statement for the first time, it seemed to me—I do not know that I can better the lucid and eloquent language of the Hon'ble Member—an extraordinary statement and for irrelevance hard to beat. I had been speaking of the Budget for the Province of Bombay, and the Hon'ble Member retaliated with this reference to Upper Burma. Well, Upper Burma is not a Province, nor are any accounts relating to it available for 20 years. It is quite true that the accounts which he has mentioned were kept for 11 years, and showed a deficit for that time. But even if accounts were available for 20 years and showed a deficit, no other province, neither Bombay, nor any other Province, would have a right to reproach Upper Burma, if Burma as a whole was paying its fair share. I might as well reproach Aden, or the district of Thar and Parkar or the Pargana of Spiti for not paying its way. I part with the statement with gratitude because it leads me to the question whether Burma as a whole is paying its way. My Hon'ble colleague Maung Bah Too has obtained some figures on this point, and they are now before the Council, and upon those figures I propose to offer a few remarks.

"I may remark, to begin with, that the Hon'ble Mr. Gokhale is mistaken in supposing that any part of the Telegraph charges ought to be debited to Burma, because, if he will scrutinise the figures again with his customary exactitude, he will see that none of the telegraph receipts have been credited. After that he made a point in connection with the non-effective charges of the Army. Well, I demur to debiting Burma with the whole local cost of the Army and 33 per cent. extra for the non-effective charges and the rest of the Home charges. I demur to the debiting of the whole local cost of the Army because every frontier Province covers the internal provinces. And I demur to the debiting of the 33 per cent. because the districts which were acquired later ought to pay a smaller share of the non-effective charges than the districts which were acquired earlier. That leads me to another objection, that is, the debiting of 4 per cent. of gross revenue on behalf of Home civil charges, in which are included the civil pensions. I demur to the debit to Burma of a considerable portion of that charge on the same grounds as I mentioned for the Army. But, besides that, I cannot understand on what grounds the Accountant General based those charges. Apparently he discovered a relation of 4 per cent. or

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thereabouts between the gross revenue of India as a whole and the Home civil charges. Well, if he had investigated the matter, he might have discovered a relation between the Home civil charges and the receipts from the sale of postage stamps. But it would not follow that the Home Civil charges should be debited to the Provinces according to the receipts from the sale of postage stamps. This criterion of gross revenue seems to me quite unfair. Almost any other canon would be better. Then I come to what the Accountant General calls the Burma Debt. He takes the cost of the first war as five crores and he estimates that the second war cost as much. In the first place, I do not understand why he estimates that the second war cost as much as the first. The first war employed about 22,000 men for 22 months : the second war employed 8,000 men for 9 months. Now, I will be quite candid with the Council. I admit that some authorities put the cost of the first war at more than 5 crores. Some authorities put it as high as 13 crores. The fact is that those who disliked the war included as much as they could, and especially the ordinary cost of the regiments employed. I have not been able to arrive at any certainty about those figures, and I do not much care to do so, because I regard this method of debiting Burma with the cost of the war as fallacious. The Accountant General debits the cost of the war as if it were a question of buying a new farm. Now, the first war was waged (I am quoting the language of contemporary history) to save Bengal from annoyance, to prevent Chittagong, Sylhet and Cachar from being overrun, and incidentally, to permit the Hon'ble Mr. Gokhale and myself to finish our perorations in this room. The first war enabled a considerable reduction in military expenditure in Bengal, and Burma is entitled to a credit for this. No Province would be safe from this ruthless method of the Accountant General, not even Bombay. In the year 1827-28, the deficit in Bombay was at £1,241,179 ; it has been piling up ever since. But I leave this ancient history. I have not had time to investigate the subsequent financial history of Bombay. But I come to a recent fact. Not so very long ago, about the time when the Hon'ble Mr. Gokhale was connected with the Poona Municipality as he informed us last year, and when that institution was insolvent, within the last 12 years in fact, the Province of Bombay in the course of 4 years received a sum of 518 lakhs for famine alone, besides smaller subsidies for other purposes. War is not the only calamity which may afflict a Province : there are many others. It will be seen that when the Accountant General's figures have been checked, they will assume a very different aspect. I do not propose to-day to work out the alternative. But I dispute, not only the points which I have mentioned, but a considerable number of minor points.

"Now, there are three other points which I wish to mention in comparing one Province with another. Certain receipts accruing from Burma, from income-tax, stamps and the internal sale of opium, are brought to account in other Provinces : in the case of the sale of opium to a considerable extent in other Provinces. Then, again, the objects of Provincial expenditure are not the same in different Provinces.

"The Province of Burma pays a large sum for military police to guard the frontier. Until lately it paid for Imperial buildings and the launches of the Customs Department. Thus the surplus of receipts collected in the Province over expenditure defrayed from provincial funds does not accrue in the same way in one Province as in another or even in the same way in the same Province at different times. Therefore, there is no rule by which the proper contribution of a Province to Imperial expenditure can be measured over a long series of years. The third point is that Customs and Salt, though collected mainly in certain Provinces, are not properly creditable to those Provinces. They ought to be credited according to the residence of the consumers. The Hon'ble Mr. Gokhale proposed another canon. He said that land-revenue and forests ought to be reckoned according to area. I do not know what may be the case in Bombay, but in Burma products of the land do not come up by themselves ; they require the guiding hand of man, and even in the forests the teak trees and other timber trees are not so kind as to cut themselves down and float down the rivers to the place where they are utilised. They also require some help from man. If these three points and my remarks on the figures of

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1905 are attended to, I think that the deserts of the Province of Burma will be as apparent as its needs. Its needs are very great. The new settlement provides for a deficit. The theory of the Finance Department is that the revenue will gain upon expenditure every year, and that the gain will in time—in five or six years—wipe out the deficit. Now, their calculations are over-sanguine: the revenue will not grow so fast as they think and the expenditure will grow faster. I really think that we ought to be listened to on this point, because we have been blamed for not protesting loudly enough four years ago when a former settlement was under discussion and another batch of over-sanguine expectations was evolved in the Finance Department. We are timid folk, but we are now trying to shout; and if the Hon'ble Finance Member will tell us how loudly we should clamour, we will brace ourselves for the effort. The grant of 40 lakhs which has been given is of some temporary assistance to our cash balances, but it is of no use for the general needs of the Province; nor will it place our finances on a sound basis. My Government will make a representation on the subject and we hope that it will receive that attention which its past history and the present condition of the Province deserve."

The Hon'ble MAHARAJADHIRAJA BAHADUR OF BURDWAN: "My Lord, I have no desire to detain the Council at this hour of the day by making any lengthy speech; moreover, the appealing way in which the Hon'ble Finance Member is looking at me makes me nervous. My Lord, I congratulate the Government of India on the grants that it has been pleased to make for Education and Sanitation; particularly on the grants made to Bengal. But in this connection I should like to draw the attention of the Government of India to the fact that in granting a large amount for a hostel in Calcutta, it should consider the desirability of having such a hostel not in the heart of the city but in the suburbs. This is a Provincial matter, but as the Government of India is making this grant for such a hostel, it should insist on the hostels being located in healthy surroundings and in a healthy suburb of Calcutta.

"The Bengal Government has now made it, I believe, a settled policy of retaining the Presidency College in Calcutta, and therefore it is useless for me to bring forward the argument of the necessity of removing the Presidency College to the suburbs. The necessity of doing this as well as of having a hostel outside Calcutta is so obvious that I need not repeat it; for the needs of isolated and healthy surroundings both for the sake of the physical and moral culture of the boys as well as to keep them away from political atmosphere are so well known to the Government of India. My Lord, while I welcome this grant made by the Government of India for educational institutions in Bengal, I wish to bring to its notice the urgent necessity of starting a technological institute for Bengal. I know it cannot be managed in the present year; but let us hope that we shall have a similar surplus next year as we have this year, and that the attention of both the Hon'ble Finance Member and the Hon'ble Member for Education will be drawn to this particular institution.

"Last year in my Budget speech I mentioned the needs for larger openings for the educated unemployed, and I beg to repeat my request. My Lord, a good deal of unrest in this country can be combated if there are more openings for the educated young men. Already there are many who after having gone in for higher degrees have to seek for service and are not always successful. Now, my Lord, this is not a healthy state of things. Therefore it is absolutely necessary, in my opinion—it is a sacred duty of the Government of India—to consider the urgency of opening out other branches of public service into which Indians can be admitted largely and thereby combat with, to use Your Lordship's predecessor's expression, loyal unrest.

"Now, my Lord, I turn to the Sanitary grants. I welcome them knowing that in Bengal in particular the ravages of malaria are terrible, and that it is high time that we should take certain steps to combat this fell disease. But in this connection too I beg to point out to Your Lordship and to the Government of India that the needs in this country of having tuberculosis hospitals in every

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Province are growing more and more urgent every day, and I am sure my esteemed friend the Hon'ble Surgeon General Lukis will bear me out in this. I think such hospitals are at the present moment an absolutely urgent necessity. I therefore hope that when framing next year's Budget, the Hon'ble the Finance Member will take this matter into his keen consideration. My Lord, I am sorry the Finance Member could not do away with the additional probate-duties that had been imposed last year. He has not told us what amount he has realized from these additional duties on the different wills made by the wealthy men during the past year here. It would be interesting to know how much income the Government of India had derived under this head. However, as he has not imposed any new taxation, I have got no quarrel with him.

"Now, my Lord, I wish to make just a few general observations on some of the matters that have been discussed in this Council during this session.

"I put two questions about the preservation of certain tombs and the encouraging replies that have been received make me appeal to the Government of India not only to pay its attention to these particular tombs but also to see to the preservation of all ancient monuments in India, particularly the dilapidated and neglected tomb of the last king of Delhi in Rangoon.

"My Lord, I have to put some questions regarding two unfortunate Railway incidents, and I take this opportunity to thank His Excellency the Commander-in-Chief for the way that he dealt with the particular case in Secunderabad, and I appeal to my countrymen on the one hand not to give any cause for provocation to military officers and on the other hand to His Excellency the Commander-in-Chief that he will be pleased to note that the keepers of peace do not themselves violate it or create unrest in the country.

"My Lord, my friend the Hon'ble Pandit Mohan Malaviya put a resolution in this Council in connection with the Council regulations. In this connection I wish to draw the attention of the Government of India to the fact that whatever modifications may be made, I trust that the Government of India will not touch the landlords' electorates, for they will jealously guard the rights that have been given to them.

"Now, my Lord, I allude to two other Bills that have been introduced into this Council this session—my esteemed friend the Hon'ble Mr. Gokhale's Bill on elementary education and that of my friend to the left the Civil Marriage Act. These Bills of course will be before the country for some time to come, but I hope that as both of them are very important measures, especially as there is likely to be a great deal of opposition to the Bill that has been introduced by my friend the Hon'ble Babu Bhupendranath Basu, the Government of India will consider the matters most carefully before bringing them up in Council for final discussion. These are the few remarks, my Lord, that I have to offer. In conclusion, I congratulate the Government of India on the prosperity Budget, and in view of the fact that towards the end of this year we hope to pay our homage to the King-Emperor and the Queen-Empress, I sincerely hope that 1912 will also be a prosperous year, and that as it will be the first year of Your Lordship's régime in India, it may be one of prosperity and general peace to the country."

The Hon'ble RAJA of DIGHAPATIA : "My Lord, when there is such an urgent demand at the present day for further diffusion of Elementary Education and when the only stumbling-block in the way is want of money, I do not understand why, instead of meeting such a just demand, nearly two-thirds of the surplus should go towards the liquidation of a portion of the temporary public debt, which, compared to the National Debts of other countries, is none too heavy. However, I humbly beg to submit that the Government would be pleased to apportion a large sum of money next year towards the diffusion of Elementary Education.

"Now, my Lord, I beg to say a word or two with regard to the Province I come from. Last year, on this occasion, I had the privilege of placing before the Council the proposal of connecting the district head-quarters of Rajshahi with the other parts of the Province by means of railway. I don't know how far the matter has progressed, but I hope the Railway Board will be able to

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take up this matter at an early date as it concerns the vital interests of the district.

"Among other needs of the Province, I beg leave to mention that sanitation stands the foremost, and we are thankful to the Government of India for the special grant of nine lakhs of rupees under this head. I fervently hope and pray that the Government of Eastern Bengal and Assam will be pleased to allot a substantial portion of the amount for the supply of pure drinking water, to the absence of which can be attributed not only cholera and malaria but other diseases as well.

"Similarly, when disposing of the special grant on Education which the Government of India has made to the Province of Eastern Bengal and Assam, I hope the cause of Elementary Education will receive the fullest consideration it deserves at the hands of the Local Government.

"Lastly, I beg to thank the Government of India for the special grant it has made to the Government of Eastern Bengal and Assam for the improvement of the subordinate and river police of the Province. I am sure the Provincial Government will now be better equipped to grapple with the numerous cases of dacoities and other crimes which have been unfortunately so prominent during the last few years and which we all deplore so greatly.

"My Lord, every one of us must congratulate the Hon'ble Finance Member on the prosperity Budget he has been able to present to the Council this year ; and also the Provincial Governments for being able to secure at length a permanent settlement of revenue from the Government of India—a settlement which the Provincial Governments as well as the people under them have long been praying for. Let us hope, under this arrangement, the Provincial Governments will be in a better position to attend to the pressing needs of their Provinces.

"We are grateful to the Hon'ble Finance Member for his promise of an enquiry into the question of the reduction of public expenditure which I beg leave to suggest can be done by the employment of a larger number of Indians in the public service, no doubt, as far as practicable, and also by the appointment of approved Indians to selected offices in the Army for which hopes were held out by no less a person than Lord Curzon. Moreover, such appointments will give useful occupation to the scions of Indian Chiefs and Nobles and provide them with an opportunity of devoting their life to the service of their King-Emperor."

The Hon'ble RAJA OF MAHMUDABAD : "The Hon'ble the Finance Minister deserves our sincere congratulations on the Budget presented by him for the year 1911-12. It is characterised with customary simplicity and clearness, and is a genuine and true exposition of the finances of our country. As announced at the very outset by the Hon'ble the Finance Minister, the Budget is no doubt quite cheery ; and it is very satisfactory to note that it terminates in a happy announcement and augury that our combined cash balances will at the end of the coming year be better by 39 lakhs sterling than was estimated when it was presented to us in its crude form.

"The special feature of our finances this year has been a good surplus from—

- (a) opium, and
- (b) other sources.

"The surplus from the opium was anticipated though not to such an extent. We believe it has come to us in such a large amount by sheer dint of luck which the Hon'ble Finance Minister attributes to a windfall in the opium trade. The remaining surplus is no doubt due to the judicious check and economy in the expenditure under several heads.

"The way in which these surpluses have been disposed of has been the subject of animated debates and criticisms in this House. It is no use my reviving the same controversy at this stage of the Council. I would, however, beg leave to request my Hon'ble friend the Finance Minister to be good enough to devote in future all sums of money which may be added to our Treasury by chance or fortune to the pressing needs of our country—I mean education, sanitation, and etc. I do not question his financial wisdom in spending the

[*Raja of Mahmudabad ; Pandit Madan Mohan [27TH MARCH 1911.] Malaviya.]*

opium surplus in the reduction of our national debt, but what I wish to impress on the Council is that debts of this nature can always be paid out of the budgeted items and not out of monies that come to us unexpectedly. We all speak of 'no money' talking of our sanitary and educational improvements; and it is therefore only fair that our unforeseen incomes should always go to meet our expenses on the objects for which we know our ordinary income is not sufficiently available. We cannot be ungrateful to our Exchequer for the fair amount of money which was placed at the disposal of the Hon'ble the Member for Education for expenditure on education and sanitation. The allotments made out of this money have been received with satisfaction except in few cases; and speaking about my own Provinces I am glad to say that at last a response has been made to the urgent demand of our Provincial Government for the establishment of a technological institute. I need hardly advocate the necessity of the industrial developments in my Provinces, and I strongly hope that the time will come when the recommendations of the Industrial Conference held at Naini Tal will be fully given effect to. On behalf of the Muslim community of the United Provinces whose suffrage I have the honour to represent, I beg to express my grateful thanks for the grant made by the Government of India towards our Moslem institution at Aligarh.

"There is only one small item of expenditure upon which I beg leave to express my opinion. That item refers to the much-cherished visit of their Imperial Majesties to India to commemorate the most historic event in the British history in India. What I have to say is that, lovers of Royalty and devoted to the Crown as we the Indians are, we expect that the occasion will be celebrated in a befitting manner and that nothing would be found wanting in our arrangements of the pomp and pageant due to the Sovereign of this large Eastern Empire.

"In conclusion, I express my respectful thanks to Your Excellency for the generous and sympathetic manner in which Your Lordship has presided over the deliberations of this reformed Council; and I hope the non-official Members have satisfied Your Excellency by their conduct in this Council that they are mostly true representatives of the various communities."

The Hon'ble PANDIT MADAN MOHAN MALAVIYA : "My Lord, the discussions which have taken place in this Council this year and which took place last year afford, I venture to submit, the greatest proof of the wisdom of the Government in introducing the Reform Scheme. These discussions will go far towards creating satisfaction in, and removing much dissatisfaction from, the public mind. The fact that resolutions have not been accepted by the Government is no doubt an unfavourable feature of the debates. But, my Lord, various subjects in which the public feel a living interest have been brought up before the Council; they have received consideration at the hands of Government; the replies given, the reasons advanced for not being able to accept resolutions, have been publicly stated. This cannot but promote a better understanding of public questions, and a better attitude of mind towards them throughout the country. There is one point, however, which emerges from the discussion of all these resolutions, and that is the inadequacy of the public funds which are available to satisfy the various demands which have been pressed upon the attention of Government; and, my Lord, I am sure that Your Excellency's Government and every well-wisher of the Government would desire that more funds should be set free to meet these demands. As matters stand, however, at present, it seems to me that there is not much hope of such funds being available for Provincial expenditure unless the system which obtains is radically altered. We ought all to feel very thankful to the Hon'ble Mr. Gokhale for having drawn the attention of Your Excellency's Government to this matter. The present system of Provincial Settlements rests, my Lord, upon no principle. I will not go into details to show this, as it was only the other day that I dealt with this question at great length in supporting the resolution for raising the land-revenue share of the United Provinces from three-eighths to one-half. The history of these Provincial Settlements leaves no doubt that they were based upon merely what was actually being spent in a particular Province at a particular period, and

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that they are merely so many assignments of revenue by the Imperial Government for Provincial expenditure. The system which prevails is the unitary system. The Government of India command all the resources of the country, and they make such grants as they think proper to Provincial Governments to meet Provincial expenditure. Under this arrangement, as my friend has pointed out, four-sevenths of the total revenues of the country is being spent on Imperial purposes and about three-sevenths only for Provincial purposes. This has resulted in this—that while objects which have been considered Imperial have been pushed and provided for to the fullest extent, the needs of the people in matters which directly affect their welfare have not been equally met. This, my Lord, has been a long-standing complaint and it has been repeated to-day by different Members representing different Provinces in dealing with the Provincial Settlements that have been effected for their Provinces. I submit that unless a new system is introduced these complaints will not be remedied. A review of the situation will emphasise the need for a change. In this vast country, we have eight large Provinces equal in area and population to several of the large countries of Europe. For instance, Burma is about the size of Sweden with nearly twice its population; the two Bengals, though slightly smaller in size than Burma, contain nearly eight times as many inhabitants and about twice as many as France; Madras has nearly as large a population as the United Kingdom; Bombay approximates in area to the United Kingdom though its population is much smaller; the United Provinces contain many more souls than Austro-Hungary or the United Kingdom; the Central Provinces, including Berar, cover almost as large an area as the United Provinces with 13 millions of people, and the Punjab only a slightly smaller area with 20 millions. But the financial arrangements of all these large Provinces, equal to such large countries of the West, are controlled by the Government of India from one centre. I submit that this arrangement is very unsatisfactory, and must in its nature be very unsatisfactory. Imagine for one moment what the condition of the different countries of Europe which I have named would be if the allotment of the revenues raised in them for expenditure in those countries were determined at one centre in Europe, whatever that centre might be, and the unsatisfactory nature of the present arrangements would be made absolutely clear. What is needed now is that this unitary system of the administration of finance should give place to a federal system, and I strongly support the recommendation of the Hon'ble Mr. Gokhale that a change should be initiated in that direction. The Provincial Governments should cease to be merely delegates of the Supreme Government, but should be made semi-independent Governments. A similar proposal was, I believe, put forward before the Government of India about the time when Lord Mayo determined to invest Provincial Governments with a share of financial responsibility in order to minimise the evils of over-centralisation. 'More than one of his predecessors,' says Sir William Hunter, 'had arrived at a similar conclusion, and indeed one school of Indian statesmen had gone so far as to advocate the almost complete financial independence of the Local Governments. This school would surrender to each separate Administration the revenue raised within its territories on the single condition of a rateable contribution for the expenditure common to the Empire, such as the Army and the public debt.' Unfortunately this scheme was not then adopted; but great changes have taken place since then, and the progress in administration which has been achieved during the last forty years makes it easier to adopt the scheme now and the necessity for it has become greater. This will not in any way impair or injuriously affect the unity of the Empire. The Government of India should retain in their hands as at present all matters relating to foreign relations, the defences of the country, currency, debt, tariff, post, telegraphs and the railways. It should continue to receive all the revenue and receipts derived from heads which are at present called Imperial, and to meet the ordinary Imperial expenditure which will not be met by these receipts it should require the various Provincial Governments to make a rateable contribution based on a definite and reasonable principle. Having secured this, the Government of India should leave the Provincial Governments freedom in levying and spending their revenues as they may consider best in the interests of the people. It

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should exercise its power of imposing additional general taxation in any Province only when it has to meet any extraordinary expenditure and when the Province or Provinces concerned have refused to give the assistance required. This will impose a very much-needed and healthy check upon the spending tendencies of the Government of India, and it will make it possible for the Provincial Governments to retain in their hands a fair proportion of the revenues raised from the people and to devote it to promote the well-being of the people. This question was considered by the recent Royal Commission on Decentralization. They expressed the opinion that 'a fluctuating contribution based upon Provincial revenues would, of course, be feasible.' But they thought that in the then existing state of affairs it was undesirable to make any sudden and violent change in the present system of divided heads, and contented themselves with advocating the conversion of unduly large fixed assignments into shares of growing revenues. They went on, however, to say :—

'The high authority of Sir David Barbour may, it is true, be quoted in support of the thesis that a Province with a population of many millions is important enough to possess a financial system of its own. In theory that is true, but we are of opinion that present circumstances render the full application of this theory impracticable.'

"The present circumstances which they had in view were the absence of any power in the Legislative Councils to exercise any material control over Provincial finance. They made it clear in the paragraph which followed that in their opinion a grant to local Legislative Councils of material control over Provincial finance would justify a change. They said :

'The above considerations apply to the existing conditions of administration, but we recognise that the grant to the local Legislative Councils of material control over Provincial finance may make it necessary to do away, as far as possible, with the present divided heads, and to place some entirely within the purview of the Provincial and others within that of the Imperial Government.'

"Two members of the Commission, Sir Steyning Edgerley and Mr. Hichens, in a note which they appended to the Report of the Decentralization Commission, expressed themselves more strongly in favour of such a change as we advocate. They said :

'We think that the ultimate aim should be to give Provincial Governments independent sources of revenue and some separate powers of taxation, subject to the general control of the Government of India and the Secretary of State. While recognising that this position can only be reached gradually and by cautious steps, we think that, in view of the wider powers which it is proposed to give to Provincial Legislatures, the time has come for a more definite movement in that direction than is necessarily implied in the Report of the Commission.'

"It appears from some remarks in one of Lord Morley's speeches that this question of a larger decentralization of Provincial finance has not escaped His Lordship's keen eye, but that he has allowed it to stand over for consideration in the future. I submit that that future has come. Provincial Legislative Councils have now got definite powers of control over Provincial finance, and it is high time that Provincial Governments received a little real power and a little more responsibility in the administration of the revenues raised in their respective Provinces. It is also high time that some of them were allowed to retain and spend a larger share of those revenues for promoting the well-being of the people. The question which would be asked would naturally be, where is the money to come from to give them more? The answer to that question will be found in the enforcement of economy to which Your Lordship's Government have been pleased to pledge yourselves. It is to be hoped that in the Military Department alone a great deal of economy will be effected in the near future, which will enable the Government to put these Provincial Settlements on a sound footing. My Lord, it cannot be denied that far too much more is being spent on the Army than on matters which directly affect the well-being of the people; and we are receiving repeated reminders that much more should be spent to protect and promote the vital interests of the people. The returns of the recent census act as one of such reminders. We have learnt with pain and sorrow how vast a number of our people have died of plague and of malarial fever in the United Provinces and the Punjab. We have learnt, my Lord, that we lost

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65 lakhs of people from plague alone in India during the last ten years. Our losses in other directions have also been great. The increase of population has in many places not been satisfactory. There has been a positive decrease in two large Provinces. All this tells a sad tale about the condition of the people ; it tells us that the health of the general people has not been as strong as it should be under the existing otherwise excellent administration. For these reasons it is essential that the Government should be pleased to consider how a larger measure of Provincial revenues should be secured to the Provincial Governments to better promote the moral and material progress of the people. My Hon'ble friend has suggested a practical course, and I hope that the Government of India will be pleased in the near future to take the question seriously into their consideration and to establish Provincial finance on a sound footing such as will secure a fair measure of the revenues raised from the provinces for expenditure in those Provinces."

The Hon'ble NAWAB SAIYID MUHAMMAD SAHIB BAHADUR : " My Lord, my first words on the Budget are words of hearty congratulation to the Hon'ble the Finance Member on the large surplus he has shown and the handsome grants Your Excellency's Government has been able to make in respect of domestic reform, notably in respect of Education and Sanitation. My Lord, I should be merely repeating a truism if I were to say that the essence of good government lay in the happiness and contentment of the people committed to its charge, and I express my gratitude to Your Excellency's Government which has shown such keen solicitude for the millions committed to your charge. I am glad to find that, on the lines of the recommendations of the Decentralisation Commission, the Government of India are going to give to the Local Governments a greater financial freedom in respect of certain heads of revenue in practical supersession of the time-honoured system of Provincial Contracts. My Lord, I need hardly take up the time of this Council by recapitulating the history of the Provincial Contracts—they have for times without number formed the topic of controversy in this Council ; and, not to speak of non-official Members, official Members of the highest eminence—men in the position of Sir Alexander Mackenzie—have raised the bitterest protests against the periodical revisions of the Provincial Settlements. I am glad the time has at last arrived when the system is going to be knocked on the head and the Provincial Governments placed in a position of greater freedom in respect of their finances. If, for instance, Your Excellency's Government were to abolish the cash assignments and to replace them by a share of growing revenues, if, for instance, the Supreme Government allowed the Provinces freedom of action in respect of the revenue and expenditure appertaining to the Forests, Excise, a substantial portion of the Land-revenue and Irrigation, a great step in advance will have been taken to decentralise the finances and give the Local Governments considerable financial liberty. The result, it is easy to guess, will be the conversion of fixed assignments to the extent of about 350 lakhs into growing net revenue and a possible deprivation of the Imperial Government of an annual net increment of about 8·15 lakhs in its share of the divided revenue. And as far as the Provinces are concerned, the effect will be to raise their normal growth of revenue and expenditure to very satisfactory figures. My Lord, it goes without saying that a scheme like this will be really a step in advance in general administrative efficiency and endow Local Governments with new powers, and therefore with new responsibilities, without meaning any disparagement to the Local Governments ; and while congratulating them on their new financial status, I beg to inquire if the Supreme Government have taken adequate steps to insure that this new status will be an incentive in the case of Local Governments to husband their resources ?

" In the three major Provinces the system of Council Government may be taken as a safeguard ; but where is the guarantee that the minor Provinces without Councils will sedulously guard their resources ? It has been taken for granted that the institution of Financial Commissioners in the Provinces is calculated to act as a great check, and the Financial Commissioners serve as an efficient monitor in the case of Provincial extravagance. May I suggest that along with the new financial powers the minor Provinces might either

[*Nawab Saiyid Muhammad Sahib Bahadur : Raja of Partabgarh.*] [27TH MARCH 1911.]

have Councils, or failing that have each a Financial Commissioner with well-defined powers to watch the finances, and, if necessary, to stay the hand of possible extravagance. My submission is that some such safeguard might be considered by Your Excellency's Government, and I suggest that that may be in the shape of an auxiliary to the Provincial machinery."

The Hon'ble RAJA OF PARTABGARH : "My Lord, it is a matter of genuine pleasure to me, in which I am sure all my colleagues will join, that the first year of Your Lordship's reign has been one of prosperity. We have been blessed with a good harvest, trade has shown appreciable advance, and there has been marked improvement in the general situation of the country."

"My Lord, this year will ever remain memorable in the history of the constitution of the Government of India, because of the creation of a new Department for Education, which has very appropriately been placed under the control of the Hon'ble Mr. S. H. Butler, whose zeal and enthusiasm in matters educational are well known and who brings to his task great sympathy and reputation for great practical capacity."

"My Lord, the United Provinces of Agra and Oudh have the misfortune of being the most backward in education in India. A comparison of the interesting tables showing the educational progress of the different Provinces during the last four years published in the Gazette of India of the 11th instant discloses a very unsatisfactory state of affairs so far as the United Provinces are concerned. I need not quote the figures here, but suffice it to say that while the percentage of male scholars in public institutions to the male population of school-going age rose more or less in a marked degree in other Provinces during the last four years, in the United Provinces it rose from 13·6 in 1906-07 to 14·4 in 1909-10, i.e., an increase of 8 per cent. only. The case of female education is still lamentably sad. Now, it remains to be seen as to what this backwardness is due. Is it due to a lack of interest in education on the part of the people themselves or to some other cause? With regard to this I venture to submit that there has been a real awakening among the people to receive the benefits of education, and they have now roused from their slumber of ages. Such being the case, I have to seek elsewhere to find out the cause. Let us see what the Director of Public Instruction of the United Provinces, the highest authority on education, says on page 3 of his report for the year 1909-10. He says :

'It is impossible to close this chapter without some reference to the customary want of funds. While gladly acknowledging the generous treatment that education receives from the Local Government when the Budget is under preparation, I cannot refrain from observing that far more than can be spared is needed.'

"Even our late Director, Mr. Lewis, drew pointed attention to the progress of other Provinces and the backwardness of the United Provinces year after year in his reports. From what I have said above it is obvious that education has not yet received its due share of attention in the United Provinces. They have long borne the reproach of illiteracy, and the existing state of affairs should not be allowed to continue longer. They want more funds for education. It was hoped that in a year of surplus they would receive more liberal treatment than all other Provinces, but our hopes have once more been frustrated. I would once more quote the words of the Director of Public Instruction to show the real situation. In the course of his speech in explaining the Education Budget of the next year in the Local Council he said :

'The situation may be summed up in a line—"The hungry sheep look'up and are not fed."

"My Lord, a sound mind in a sound body is a well-tried maxim, and it is in the fitness of things that sanitation and education have been placed under the charge of the same administrator.

"If education has yet to make a sufficient headway in the United Provinces, the insanitary condition of the place deserves a far more serious attention. Although plague is now a common disease in India, but the figures of mortality in the United Provinces are simply appalling. I may even go so far as to say that some of the districts have become the home of this cruel enemy of mankind.

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"It is, however, a satisfaction to note that the Hon'ble the Finance Minister has been able to assign £70,000 for capital expenditure on sanitation, which will enable the Local Government, which with all its solicitude for the weal and welfare of the people is handicapped for want of funds, to take in hand some ambitious scheme to improve the sanitation. We are thankful for this allotment, and may reasonably anticipate the continuance of the same favour and sympathetic treatment in future years also.

"My Lord, the outstanding feature of the coming year's Budget is the new scheme of the Provincial Settlement which has been made permanent. The Finance Minister has recognised this himself. He says :

'In the realms of Financial Administration, by far the most important event of the coming year will be a notable change in the financial relations between the Local Governments and the Government of India.'

"Under the new arrangements the Local Governments will indeed secure greater financial independence and the Central Government will not have to face the necessity of meeting the occasional demands from some Provincial Government or other, and thus the equilibrium of their plans will not be disturbed. It is an advantage to both. But before launching any such scheme which is not liable to revision, it was desirable to see if the provisions made were adequate and whether the assignments were enough to meet the present and future needs of administration without any detriment to efficiency. I view with regret that the United Provinces have to start with a disadvantage. They are not to have half of the land-revenue as other Provinces are allowed.

"My Lord, I submit with great respect that this is a severe handicap and it is not doing justice to a Province which contributes more than any other Province to the Imperial revenues. The needs of the United Provinces are great. In almost every branch of administration there are growing needs and the needs for which money is required. If other Provinces receive one-half of the land-revenue, the same indulgence should have been shown to the United Provinces. I am sorry that the Government could not see their way to accept the resolution so ably and eloquently moved by my Hon'ble friend Pandit Madan Mohan Malaviya. Only the other day, His Honour Sir John Hewett, in concluding the debate on the Financial Statement in the Local Council, expressed his well-considered opinion in clear and strong terms which I quote here to show how unfair is the treatment that has been meted out to the United Provinces. His Honour expressed himself as follows :

'A very important statement was made in the Council of the Governor General a few days ago regarding Provincial finance. Upon such consideration as I have been able to give to the arrangements then announced by the Hon'ble Finance Minister, they do not appear to me to be such as will satisfy the legitimate claims of this Province. I have great sympathy with the resolution moved by a Member of this Council in another place, but the matter is one which can be dealt with effectively after a very careful examination of the statistics connected with our Financial Statement and those of other Local Governments. When this is completed I propose to make a full but dispassionate representation to the Government of India on behalf of this Province.'

"We are deeply grateful to His Honour for this important announcement to aid our future progress and hope that the Government of India will also receive the matter in a spirit of sympathy.

"My Lord, a word more and I have done. It is for the first time in the history of India since its connection with the British Raj that His Most Gracious Majesty the King-Emperor has declared his Royal intention to hold the Coronation Durbar in India. The coming event will be without a precedent and, as such, is sure to mark an epoch in the annals of this vast land. I believe I echo the sentiments of my constituency and countrymen when I say that this auspicious announcement has caused a thrill of joy throughout the length and breadth of India. The Royal Durbar should be worthy of the best traditions of the country, and it is a matter of extreme delight that the sum of Rs. 141 lakhs has been allotted in the Budget for the purpose.

"In conclusion, I beg to congratulate the Finance Member on the lucid and prosperous Budget he has presented to the Council."

The Hon'ble MR. MESTON : "My Lord, among the many attractive topics which have been discussed to-day, there are only two on which I should ask

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your permission to occupy the time of the Council for a few minutes by offering a few explanatory remarks. The first of these is the question of Provincial settlements, a subject in which apparently a great many of us are interested, but which has an unfortunate capacity for the most profound dullness. I shall however restrict myself to dealing only with certain questions of broad principles which have been raised in connection with it to-day. The first of these is the interesting discourse which my Hon'ble friend Mr. Gokhale delivered on the subject of Federal Finance. I remember an American professor once describing Federal Finance in his country as being the fine art of fleecing the other States; and apparently that art is finding its way into India; because we have the Hon'ble gentleman describing to us to-day how Burma had been living on the rest of India for forty years, and the Hon'ble Mr. Gates retorting by telling us that Bengal actually battens on Burma, and the Hon'ble Pandit a few days ago explaining that the United Provinces was the milch cow of the other Provinces of India. It was exactly to prevent this sort of thing happening, to prevent this sort of suspicion arising, that our present system of Provincial Settlements grew up. I admit that, as it stands, it is the outcome of a somewhat illogical and a somewhat awkward system, such as many of our Anglo-Saxon institutions are. But, my Lord, I would submit to this Council that in dealing with it, although it is perfectly true that Mr. Gokhale's alternative would provide in many respects a very fitting substitute, I submit that in dealing with it we have to think about its history and to take account of our commitments. If we had a *tabula rasa* instead of our complicated administrative system, I should for one be perfectly glad to accept Mr. Gokhale's alternative. As it is, our present system is the result of thirty years' hard work; it has been steadily improved and steadily made more elastic; those of us who have to work it understand it; and if we try to uproot it now, I am sure that we should land ourselves in further controversy and in confusion which would last for another ten years in the least. Those of us who have studied Mr. Gokhale's evidence before the Royal Decentralisation Commission—I remember having an hour's very hot cross-examination upon it—will remember that he developed a scheme on very much the same lines as he has given us to-day. That scheme was very fully considered by the Royal Commission; it was very fully considered and examined in the Government of India Secretariat. It has moulded and it has influenced the arrangements of the new permanent settlements, and although they do not go so far as it did, I have no doubt that their line of development will continue to be in that direction. I would therefore put in a plea for allowing our indigenous institutions, so to speak, to work out their own salvation. A federation of Provinces with complete financial autonomy of their own may lie in the future fates of India; but federation in modern history has been, not the result of a direct disintegration of a Central Government, so much as the joining together of independent and rival States. It may be, as I say, that a federation of Provinces lies in the future for India; but it will be a federation with characteristic differences, both in its history and in its institutions, from those in Germany and the United States of America, those models with which we are most familiar and of which we have heard to-day.

"I turn to a few details, a very few details, of the settlement system which have attracted criticism. One of these is the treatment of the Imperial grants which are sometimes, with unnecessary contumely, described as 'doles.' When the Government of India are in a position, as they were this year, to give large grants to Provinces, we are told that the money ought to be given, not for specific purposes in the Province, but should be placed at the disposal of the Local Governments, who are in the best position to know the best way of utilizing the money that is thus put in their hands. One Province, for instance, may be well ahead of the others in its educational facilities; why should it not be allowed to use the money to improve its roads, and so on? I am sure there is a great deal of commonsense in this, and I am perfectly certain that the Government of India will take a sentiment of this character into consideration when they come to deal with the distribution of grants in future. In this they will no doubt be encouraged by the assurance that we have received to-day from Mr. Quin that the Government of Bombay for one will always be pleased to

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consult the wishes of the Government of India when spending our money ; but I think it is going a little too far to say that the Local Government should have the final voice in the spending of Imperial grants at all times and in all circumstances. The Government of India are ultimately responsible for the progress of this country ; the broad lines of policy have to be laid down by the Central Government, which becomes responsible for seeing that the Provinces take their shares in carrying out that policy. It does not very much matter whether the pressure comes from above from Parliament, or from below from some strong Province, or from outside from public opinion or from within. In any case it is the Government of India which have to finance the policy, which have to direct it, and to make it a success. They cannot possibly force a new and possibly a costly policy on Local Governments unless they are also prepared to help in finding the money for it. Consequently, it seems to me that the Central Government must retain the option of saying how its grants are to be spent when they have made those grants in pursuance of a definite scheme under the new system. It is only this option that the Government of India wish to retain. There is to be no hard-and-fast rule ; and Hon'ble Members who represent Provinces are aware of the substantial liberty that Local Governments have hitherto enjoyed in the disposal of the doles which they have received in the past.

" Another feature in the new settlements which has come under criticism to-day is the rule — what I should have thought was a simple and fundamental and sensible rule—that the Local Governments may not budget for a deficit without showing that the excess outlay is something special and something non-recurring. This simple precaution is resented in some quarters on the ground that a Local Government may justly be left to draw on its own balances without any interference. Well of course none of us could imagine a banker interfering with a client when he draws on his balance so long as the balance lasts ; and we cannot imagine the banker, unless he is a personal friend, asking the client what he is going to do with the money ; but when the client has exhausted his balance and he cannot give security for an over-draft, then the banker is done with him. The client may drift into poverty or bankruptcy, and the banker feels no responsibility. Now, the Government of India is the banker of the Provinces, but it is also responsible for the excesses and the debts of the Provinces, and it is surely no unreasonable exercise of the right of simple self-defence on the part of the Government of India to satisfy itself that the Local Government is not, as some Local Governments have been, drifting into a scale of expenditure which will become stereotyped in permanent deficits and in the entire loss of all financial independence.

" The second point, Sir, that I wish to touch upon is to be found in the very interesting and thoughtful speech which the Hon'ble Sir Vithaldas Thackersey has addressed to the Council this morning. With very much of what he has said, I am in entire personal agreement, but the only point on which I wish to touch for a moment in his speech is the question of the location of our Indian reserve of gold. It is a very old story and I do not think I can say anything new about it. The Hon'ble gentleman, in common with a very strong body of commercial opinion in this country, feels that it is neither just nor proper nor to the advantage of India that our gold reserves should be held so largely as they are in the City of London. It is our gold, he says, and sentiment demands that it should be in our keeping. Its present location is also a potential danger ; in case of war, for example, if we happen to want the gold from London, we might not be able to get it. It is also more useful in India than it would be in London for the purposes of safeguarding exchange. That is the Hon'ble Member's view, and it is, as I have said, the view of many competent financial and commercial authorities in India. Last year I tried to show to the Council that there was another side to the shield, because this controversy is always a rather one-sided one. Perhaps I may be permitted to touch on it for a few minutes again, and repeat that there is another view of our gold policy and that that view is a tenable view and that it has a sound substratum in the principles of international finance. The location of our gold reserve in London, with the exception of that small portion

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of it which as liquid gold finds its way into our Indian currency chests in years of very high exchange, the retention of the great bulk of our gold in England is deliberate. It is intended to strengthen us and simplify our duty in maintaining the gold value of the rupee. What we do is to maintain the value of the rupee by keeping the gold where gold is most wanted and is likely to be most useful to us. Now, if gold were effectively wanted in India, that is to say, if India could keep gold in circulation and export gold privately in large quantities when exchange threatens to fall, then in those circumstances our duty would be accomplished and our task would be lightened. But we know that these circumstances do not obtain. We have not yet a substantial gold circulation in India, and we never see any substantial private export of gold from India when our silver exchanges begin to fall. On the other hand, in London we have our gold ready exported ; we have it immediately available or almost immediately available to support our exchanges ; we have it ear-marked as the sole and exclusive property of the Government of India, and as capable of being used for the interests of India in the greatest gold market of the world. My Lord, time does not allow me to develop this theory. I need only say that it is the theory of those who believe that it would be as reasonable to keep the gold reserves in India as it would be to keep our reserves of coined rupees in London."

The Hon'ble BABU BHUPENDRANATH BASU : "My Lord, I will not detain this Council longer than five minutes I hope. There is one observation of my friend the Hon'ble Sir Vithaldas Thackersey which I, my Lord, as a citizen of Calcutta, should not allow to pass unchallenged in this Council. I am afraid I am the only citizen of Calcutta here. If, my Lord, Bombay was judged by the wit and wisdom and ability of its representatives in this Council, I have no doubt it would be the second City in the Empire ; but if it is judged by numbers which the late census returns have given us, I am afraid I am fairly entitled as a citizen of Calcutta to claim a much higher place. While the population of my city is 12 lakhs, I believe the population of Bombay is only about nine lakhs."

The Hon'ble Sir VITHALDAS D THACKERSEY : "I will explain myself more clearly. I am taking the municipal population. What is the municipal population of Calcutta and what is the municipal population of Bombay ? I am not taking the suburbs."

The Hon'ble BABU BHUPENDRANATH BASU : "Yes, there have been explanations offered of that difference -plague and other causes and the depression in the cotton trade. I will not go into them. I am content to rest my case upon the figures furnished by the Census Commissioner.

"There is one method which my friend the Hon'ble Mr. Gates seems to complain of, that his Province contributes a very large share to the Imperial revenue and that we, the people of Bengal and the other Provinces, have been more or less fattening upon the wealth of Burma. My friend forgets that the entire gift the Government of India has this year been able to grant to the Provinces comes from Bengal from its opium produce and that we have given a very large contribution to all the Provinces of India. Talking of the opium produce, my Lord, there is one thing that struck me in the very able and lucid statement of my friend the Hon'ble Finance Member where he gives two-thirds practically for the liquidation of debts in England and one-third for helping Provincial Governments, and he justifies that procedure by observing that it is the first duty of a prudent man to pay off his debts. No doubt that would be a prudent course, but I may remind my friend that the debt that was incurred and which was paid off partially was incurred not upon the expectation of having this windfall from opium and consequently should have been met in other ways. This windfall we the people of India were fairly entitled to for our immediate needs. I am thankful, however, for what has been given, but much has to be done which we cannot do for want of funds. Take the question of sanitation, my Lord, of my own Province, where, as other friends have already said, malaria has got a congenial home ; we have been urging in our Local Council for dredging many of the ancient river systems of our Province which have been silting up, and we have been unable to carry out any big operations

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for want of funds. We were told, my Lord, that it was impossible to fight the forces of nature, and if rivers silt up, it is impossible to dredge them in order to improve the drainage of the country. Well, my Lord, that is a counsel of despair. Human civilization has been always fighting against the forces of nature, and if sufficient means were available to us, we have no doubt that we would be able to save many millions of lives that we annually lose in the Province of Bengal. This is a matter about which we felt that greater attention might have been paid to the needs of our Province at least.

"There are many other questions which had been more or less debated upon, and I do not think I shall be justified at this late hour of the evening and having regard to the fact that most of the principal questions affecting the administration of the country have already been discussed on resolutions, in detaining the Council at any length. It is no doubt true, my Lord, that we, the representatives of the Provinces in India, are always claiming to get something which the Imperial Exchequer are unwilling to grant us, probably because of our extravagant demands, and it reminds me of that story which we read in our childhood of the Paradise and Peri. I do not compare myself with the Peri—the poor Peri claiming admittance into the Paradise and her way being resisted. So we want to claim admission into the Imperial Exchequer, and there is my friend—I will not compare him to the person who resisted the Peri—but there is my friend standing in our way. But after all our claims are very great and our needs are greater, and therefore I think that a sympathetic consideration of those claims is essential. I will not for a moment say that our claims have not been sympathetically considered; on the contrary, my Lord, we have felt, the other Provinces including I hope the Province of Burma, that in the Financial Statement presented to us there is an anxious desire on the part of Government to meet local needs as far as possible, and that is a very encouraging feature of the whole situation. The spirit of conciliation, of friendliness, of encouragement, which has been extended to us by the Finance Department and, if I may say so, by other Departments of Your Excellency's administration, is to us a source of great consolation and of encouragement, and I hope that in a very few years we shall have no longer to complain of the way in which we have been doing in the past in this Council about our financial arrangements.

"My friend the Hon'ble Mr. Meston has already dealt with the Provincial arrangements. There is only one thing which I wish to say, and that is that we view with some degree of alarm the proposal that the Provinces may be in a position to levy taxes of their own. I hope that that time will not come very soon at least, because it is a very serious outlook for us in our Provincial administrations.

"My Lord, the Hon'ble Finance Member has referred to the Royal visit to India and he hoped that none of us would grudge the expenses that this visit would entail. I suppose it is almost needless to say that we Indians will never for a day, for a moment, hesitate to vote as much money as may be required to make that visit a success."

The Hon'ble MAULVI SHAMS-UL-HUDA : "My Lord, it is with very great hesitation that I rise to offer a few remarks. The reason of my hesitation has been the activity which has been shown by my Hon'ble friend the Finance Member to invoke Your Excellency's authority to call the stray sheep back to their fold. The result of it has been that many written speeches have been thrown into utter confusion.

"There are only a few matters as to which I would just say a word or two. My Lord, I congratulate the Hon'ble the Finance Member for the consideration that he has shown to my Province and for the large grants that he has made to all the Provinces for education and sanitation. My only misgiving is that he has shown these grants as coming from the opium revenue, which we all know will soon disappear. My Lord, it gives every one great anxiety to think that additional taxation would be inevitable when the opium revenue is reduced to *nil*. Your Excellency is aware that the surrender of the opium revenue was in spite of the unanimous protest of the people of this country. It was made to satisfy the sentiments of a few people in England, and we

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think it is just and fair that England should bear a portion of the loss that has been thrown on India by reason of its own scruples. My Hon'ble friend the Finance Member, who knows very well how to gild a bitter pill, has paid a very great compliment to the sensitive and sympathetic people of India who, he said, will not grudge the loss for the benefit of a sister nation. My Lord, I would have been very glad to accept that compliment, but I am not prepared to pay such a high price for it.

"Next, my Lord, I want to offer an observation upon the Provincial Settlements. I am glad, my Lord, that this has at last been permanently and satisfactorily settled. Last year, my Province was the object of a great deal of attack from all sides; every one almost characterised it as the Prodigal Son for whom the fatted calf was killed. My Lord, the Hon'ble the Finance Member has now left every Province to its own resources, and I thoroughly agree with him that it is not right that any Province should be a burden on its neighbour; but, at the same time, there are exceptional circumstances which will probably call for exceptional treatment. In my own Province, for instance, the ravages of malaria have been very great; on account of certain features of the political situation there has been a very large increase in the expenditure on police and other measures of a similar nature; and it is just possible that a time may come when the Province may find its own resources inadequate for this extraordinary expenditure, and at that time probably an appeal may be made for succour from the Imperial funds, which, I am sure, will not be refused.

"Another subject as to which I want to say a word is about the administration of civil justice in this country. My Lord, it is well known that Government gets a large revenue out of the sale of judicial stamps, and it is therefore meet and proper that those who are engaged in the administration of civil justice in this country should be adequately paid. If one glances at the pay and prospects of the large body of Munsiffs and Subordinate Judges, one cannot help feeling that they have not met with the treatment which they deserve. These men, my Lord, after some years of practice in the legal profession become Munsiffs, and it takes them a large number of years to become Subordinate Judges—17 or 18 years almost; and there being only a few of these appointments the result is that most of these officers have to earn their pensions as Munsiffs and not as Subordinate Judges. They are not well housed nor taken so much care of as members of the executive service, and something ought to be done for them.

"My Lord, I know that whatever we say on the present Budget has no practical effect; the discussion is more or less academic. All that we may hope for is that some day next year the Hon'ble the Finance Member will look at the pages of the Gazette and see whether any Member has made any suggestions worthy of his consideration.

"There is one other matter to which I would draw Your Excellency's attention. In answer to a question put by the Hon'ble the Maharajdhira of Burdwan it was shown that the members of my community have not taken advantage of the existing Universities in the same proportion as other communities have done. The Government no doubt spends a very large sum of money on these Universities. The money comes from the pocket of the general taxpayer, and if any class of His Majesty's subjects finds by reason of its peculiar position and its peculiar sentiments that it cannot take advantage of the existing educational institutions, I submit it becomes a matter for serious consideration whether Government should not provide for that class the special kind of education needed for it; and from that point of view I would urge Your Excellency's Government to give such support as Your Excellency's Government may think fit to any scheme of education which the Muhammadans may formulate for themselves as suited to their requirements.

"There is one other matter, my Lord, and it is this. The Hindu and Muhammadan laws in this country are administered by Judges who are not acquainted with the language in which the Hindu and Muhammadan law-books are written. About 20 years ago Mr. Justice Markby, in referring to a book written by Khalil-ibni-Ishaq, of which there is a translation by Monsieur

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Ferron, said that what the French Government had done was a model of what an alien Government ought to do in order to make its Judges familiar with the laws of the people whom they governed. We cannot say that the British Government has, in this direction, done its duty. There is no book, so far as I know, either of Hindu or of Muhammadan law which has been translated at the instance of the Government for the benefit of the public. The result is that Hindu and Muhammadan laws are thrown into a great deal of confusion, and a Bill like the one brought forward the other day by my Hon'ble friend Mr. Jinnah would not have been necessary if Government had given sufficient attention to this matter.

"Lastly, I would endorse every word that fell from my Hon'ble friend Mr. Haque in connection with the Royal Visit. My Lord, no Indian would grudge any amount of money that has to be spent in order to celebrate the occasion with the pomp and the splendour which we associate with Royalty. The heart of India was never sounder than it is to-day, and I firmly believe that the visit of their Most Gracious Majesties the King-Emperor and the Queen-Empress will evoke feelings of that deep and abiding devotion which are the characteristic of an Oriental people."

The Hon'ble MR. BUTLER : "My Lord, I shall not detain the Council long, but remarks have been made on educational policy and on the distribution of the windfall of 90 lakhs for Education and 57 lakhs for Sanitation, and to these remarks some reply is required.

"First, my Lord, I must confess some surprise as to the attitude which the official Members representing the different Provinces have taken in this matter. I find it difficult to understand why a Member of the Government of India should be called upon to explain the treatment of Local Governments and Administrations by the official representatives of those Administrations, when the Administrations themselves have made no representation whatsoever to the Government of India through the regular channels. Those channels have been open for many days, for weeks I may say, and no complaint of any sort or kind has come through them. And why, my Lord ? For obvious reasons, the distribution cannot be fairly criticised. If the Hon'ble gentlemen had taken the trouble to look at the statement which I made on announcing the distribution of these grants, they would have seen that the grants were made to Local Governments in order to assist them to carry out 'urgent projects which are ready and waiting for funds, which can be completed in a short time and which do not involve future expenditure beyond the means of Provincial revenues.' All Local Governments and Administrations were asked to send up lists of that kind of project—projects ready and waiting and able to be carried out at once. Clearly this is the sort of project to which a windfall of this kind should be devoted if full effect is to be secured and waste is to be avoided. Well, my Lord, what was the reply and what were the grants made ? Criticism has been levelled at the grants given to Bengal and the United Provinces, as being large out of proportion. Bengal sent in projects for education and sanitation combined aggregating 185 lakhs ; these were projects ready and waiting for funds ; they got 34½ lakhs or under a fifth. The United Provinces sent in projects amounting to 101 lakhs ; they got 26½ lakhs. Burma sent in projects amounting to 69½ lakhs ; they got 15 lakhs. The Punjab sent in projects amounting to 34½ lakhs ; they got 14 lakhs, plus a grant of 5 lakhs placed for account purposes to their credit for the furtherance of research at Kasauli. Madras asked for 15½ lakhs, of which 1½ lakhs was for an incomplete project, and got 11 lakhs. That, my Lord, I think, is some sauce for the Madras lamb. The Central Provinces asked for 6½ lakhs, and got 6. That, I think, is a sufficient answer to the gentlemen who have criticised the grants to the Central Provinces. I should indeed say that the Chief Commissioner asked for 10 or 5 lakhs for Sanitation, but there was only one project of Rs. 85,000 ready to be carried out. Nevertheless we allotted 2 lakhs for Sanitation in the Central Provinces.

"I have one remark to make about Burma. I confess that in regard to Education in Burma I went out of my way to see if we could not possibly make a larger grant to that Province in view of their needs. But, looking

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at the case with reference to other Provinces and testing it by the various tests which are applied in such cases, it seemed impossible to give more. If the grant had been allotted on the population test, Burma would have got 3·9 lakhs for education ; if it had been given on the number of scholars who attend schools, Burma would have got 4·1 lakhs ; if it had been given on public expenditure on Education, Burma would have got 6·1 lakhs. I therefore did not feel able to recommend to the Government of India—and I may say that this distribution list was twice before the Government of India and considered most carefully in Council—I did not feel it possible as representing the Education Department to recommend that Burma should get more than 8 lakhs.

"I think, after that explanation, the Council will agree with me that the criticisms made against these grants are unfounded and ought not to have been made. I will say nothing more about these grants except with reference to the remark made by the Hon'ble Mr. Andrew. It is a great mistake to suppose that the Government of India can be influenced by clamour in this Council to make grants as between Provinces. Those grants are made on principles which they consider right and just and fitting all the circumstances of the case.

"My Lord, the next point that I turn to is secondary education. The Hon'ble Mr. Subba Rao has raised the question regarding secondary education. He says that there has been a change in the policy of the Government ; that the policy of grants-in-aid in favour of private institutions and institutions maintained by local bodies, which was announced in 1854, has been departed from. The ground on which he bases this charge is that the Government has comparatively recently decided to introduce certain model secondary schools into the Madras Presidency. My Lord, the policy of the Government of India has never been changed for a single day. The policy which was announced in 1854 could not be carried out for many years : it is in process of being carried out now. In 1859, and I think again in 1862, it was found that owing to the absence of private institutions which were free from difficulties over the religious question the policy could not be carried out thoroughly. In 1899, and again in 1904, in Lord Curzon's famous resolution on educational policy, the principles of 1854 were re-inforced, but it was stated that Government must in each branch of education maintain a model institution in order to keep up the standards of education. The reason for this is obvious and it constitutes no departure from policy whatsoever. The Hon'ble gentleman seems to think that private enterprise is going to suffer. Well, my Lord, consideration is being given to proposals for the improvement of secondary education, and I can assure the Hon'ble gentleman that there is no desire whatever on the part of Government to depart from the policy which has been established for over fifty years, and that it is the intention of Government, so far as funds permit, to assist private institutions as well as to raise up model institutions. There is no justification whatever in the figures for the assumption of a change in policy. Mr. Orange in his last Quinquennial Review takes the figures for the last fifteen years, up to 1907. Only 25 per cent. of the total number of pupils in India were reading in publicly managed institutions in 1907. Fifteen years before 28 per cent. were reading in such schools. Therefore, the proportion of pupils in public institutions has steadily decreased. In the same period Government subsidies to private institutions increased from 22½ lakhs to 44 lakhs, or practically double, and Local Boards increased their contributions from 14½ to 28 lakhs. I think these figures alone establish the fact that there is no foundation whatever for the view that Government intends to depart from the policy which it has so long accepted.

"The Hon'ble Mr. Madge made some remarks about the backwardness of European education with which I entirely sympathise, and he asked what had happened to the training college proposal. Great difficulty was found in selecting a site for the training college. I may say that the matter is still under the consideration of the Government of India, and meanwhile a training class has been opened at Sanawar, and I am informed that considerable difficulty has been found in getting teachers to attend those schools.

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"The Hon'ble the Maharaja of Burdwan has invited me to take up the very difficult question of the location of the hostels in Calcutta. I am afraid that this is a local matter about which I cannot usefully say anything here. As regards a technological institute, that also is a matter on which no definite proposals are before the Government of India. But in more than one way the Government of India have shown their intense and earnest desire to promote a technological institution. The Hon'ble Maharaja of Burdwan ended up his speech by appealing to Government to open up new avenues of employment in the public service. My Lord, I do not think that this would settle the question of the provision of employment for India. I think we have to look to other sources of employment, and that industrial development, with its many-sided branches, is to be in future the source of our greatest hopes. I cannot do better than commend in this connection the advice given by the Hon'ble Mr. Mukerji in his presidential address at the Industrial Conference at Allahabad, that Indian gentlemen with capital should come forward, and invest their capital and take some risks for the good of their country."

The Hon'ble SIR GUY FLEETWOOD WILSON : "My Lord, we have listened to speeches to-day some of which were eloquent and all of which have been interesting, but they number 26. I think therefore that I am justified in asking Your Lordship to allow me to wind up the debate subject to any remarks Your Lordship may be pleased to address to Council in conclusion.

"I have to express my warmest thanks for the very kind reception which my Budget has received not only in this Council, but, I think I may say, throughout the country. I should like to add that I have been greatly touched by the kindly personal references to myself which have been made in this Chamber.

"I wish I could deal with all the speeches of Hon'ble Members as fully as they deserve, but time does not allow. I would, however, express my admiration for Mr. Haque's really eloquent speech as to the provision which we have made for the Coronation Durbar expenditure. I felt very confident when I put down a large sum for that service that the people of India, through their representatives, would cordially approve of my action, and I am glad to find from the speeches which have been made to-day that my anticipation was fully justified. I should like also to compliment the Hon'ble Mr. Chitnavis on a speech which was marked by sound commonsense and practical advice.

"Coming now to the Provincial civilian representatives, I must confess to a sense of some disappointment. The Provincial financial position has admittedly been greatly improved under the new permanent settlement which has been recast with every desire to err on the side of liberality as well as to maintain equal treatment between Provinces.

"And yet, led by the Oliver Twist of Madras, the Provincial representatives can do no better than ask for more. I do not propose to go into the merits of their contentions because, in my opinion, every point they have raised can be and should have been brought to the notice of Government by means of secretariat inter-communication.

"I make an exception in the case of Mr. Quin, who, in the more reasonable part of his address, asks for information. He has told us that the Government of Bombay cannot consider the settlements to be truly permanent unless they are assured that Local Governments will have powers of taxation, and will also be allowed to borrow themselves and to have fuller control over the borrowing of local bodies. On the first point, I can say nothing to-day, as the matter is under the Secretary of State's consideration. But borrowing powers do not seem to me to be in any way an essential part of a scheme for regulating our financial relations with the Provinces: and I can hold out no hope that the powers of borrowing enjoyed either by Local Governments or by local bodies are to be materially extended.

"The Hon'ble Mr. Dadabhoy has dealt with the opium question with becoming reserve. Indeed, I think his only object in alluding to opium (discussion in regard to which I have already strongly deprecated) is to raise the question of a grant from the Imperial Exchequer as a compensation to India for a loss of revenue from this source. I am afraid I cannot hold out any hope of compensation, but the very fact that Mr. Dadabhoy has alluded

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to the question to-day in debate will no doubt bring the matter prominently to the notice of the Home Government.

"I am not quite clear as to the purport of the remarks which have fallen from the Hon'ble Mr. Dadabhoy about silver. Last year, when we imposed the tax, Mr. Dadabhoy foretold dire disaster, because the price of silver would fall and our China trade would be ruined. We have now had the tax for a year and neither of these consequences has happened. Silver is still above 2s. an ounce, and the China trade has not been affected. Yet the Hon'ble gentleman is again full of gloomy prophecies : not on this occasion because we have taxed silver, but because a speculative syndicate have bought more silver than they can hold (the description is his own, not mine) and there will be a slump unless we help them. This is surely a very remarkable proposition to put before this Council, and I must strongly deprecate it. I must also deprecate the exaggerated description which the Hon'ble gentleman has given of the proposition. There is certainly an unusually large quantity of silver in stock in India at the present moment : but the total import of the current year is by no means the highest on record, and it has frequently been exceeded in years when the trade was healthy and normal, and not dislocated by imprudent speculation.

"There is one point in Mr. Dadabhoy's speech to which I must draw attention. He states that Mr. Haldane has announced in Parliament that the Indian Army may have to be reinforced. I do not know what authority he has for making that statement. I, myself, have only seen a statement to the effect that Mr. Haldane does not anticipate the possibility of reducing the British forces in India, which is a very different thing.

"I am sure that my Hon'ble friend will not expect me to follow him into the question of Protection *versus* Free Trade. That is a subject which could certainly not be dismissed in a few sentences, nor is this the moment to put up a large discussion on so very important a question.

"Mr. Gokhale's interesting speech on Federal Finance has been answered fully, and I think conclusively, by the Hon'ble Mr. Meston.

"As I said in my Financial Statement, there can be no question now of departing from the well-established principle which governs the relations between the Provinces and the Government of India in regard to Finance.

"Had I had a *tabula rasa* to deal with, it might possibly have been different.

"But even if, in the distant future, the relations were inverted and took the form of what, for want of a better term, I shall call a tribute system, the present re-adjustment would have been an essential preliminary.

"Then, even better than now, would be made manifest the super-excellent service in this connection which Mr. Meston has rendered to the Finance of India.

"One point raised by the Hon'ble Sir Vithaldas has been dealt with by Mr. Meston ; but I propose to deal with two other points which Mr. Meston has left untouched.

"The Hon'ble Sir Vithaldas Thackersey, in the course of his most interesting remarks on our currency system, has reminded me that one of my distinguished fore-runners, Mr. Clinton Dawkins, announced that a gold mint would be opened in Bombay. That was exactly eleven years ago, and nothing has been done in the matter since.

"I acknowledge the justice of my Hon'ble friend's comments on this curious episode, and I will tell him exactly what happened.

"In 1899 the Government of India were invited, as the result of the recommendations of the Fowler Committee, to make preparations for the coinage of gold in India. A scheme was prepared for a gold mint at Bombay ; and, as Mr. Clinton Dawkins said in 1900, all that then remained to do was to satisfy the Royal Mint about the suitability of the premises and appliances at Bombay. This unfortunately was never done ; as a number of technical and other difficulties were raised by the Royal Mint, which ultimately wore out the patience of Lord Curzon's Government. In the interval the Kolar gold-mining companies had mostly entered into agreements for the sale of their produce in England ; and the prospect of their bringing their gold to be

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réfined and coined at Bombay—which was to be the *pièce de résistance* of our gold mint—was thus deferred. In the circumstances it was decided in 1902 to drop the project and to wait until a stronger demand for a local gold coinage should arise.

"I am glad that the Hon'ble Member has raised the question to-day. His views on the importance of a gold coinage in India must necessarily carry great weight, and much has happened since 1902 which justifies the re-opening of a question so closely associated with the success of our gold standard. I shall have pleasure in examining the subject again at an early date, and I shall take care that the weighty expression of opinion which we have heard from my Hon'ble friend to-day is fully represented to the Home Government.

"Another point on which I must confess to a strong personal interest has been raised by the Hon'ble Sir Vithaldas. The great reform in our paper currency which was initiated a year ago, when our ten-rupee and our fifty-rupee notes were made legal tender throughout the whole of India,—that reform has answered all my expectations. It has greatly increased the popularity of our note system; it has gone far to remove a serious inconvenience to the travelling public; and it has been carried through without any appreciable strain on our reserves. But the reform was incomplete. My scheme contemplated the ultimate 'universalization' of the 100-rupee note, if and when the first part of the experiment should prove itself a success. Nor was evidence wanting that a strong public demand exists for a 100-rupee note which should be free from the trammels of our currency circles, and should have the full privilege of being legal tender all over India. It was made perfectly clear—even if any doubts on the point had remained—that the paper currency of denominations up to and including the 100-rupee note represents the daily till-money, so to speak, of the country; while the denominations above Rs. 100 are used in hoards or reserves or as stores of value, and do not change hands with any real frequency. The dividing line therefore between universal notes and circle notes was manifestly to be drawn above, and not below, the 100-rupee note. In this way only could the public convenience be fully served, and the popularity of our paper currency fully stimulated.

"These considerations have been carefully weighed against certain disadvantages—tangible disadvantages, but not, I trust, insuperable—which attach to the system of 'universal' notes. As the result I am glad to be in the position to announce that we have decided to make the 100-rupee notes universal at once. A notification under section 2 of the Indian Paper Currency Act, 1910, will issue this week, and steps will be taken promptly to design a suitable form of all-India note to replace the old circle notes now in currency. It is a matter of no small gratification to me that a reform of this importance has now been completed.

"It only remains for me to congratulate Sir Vithaldas on a really valuable contribution to the debate and to express my renewed thanks to the Council for the approval with which my efforts have been received and for the patient hearing which Your Lordship and the Council have been pleased to extend to me."

His Excellency THE PRESIDENT : "With the close of this discussion we come to a fitting termination of what has been a busy and useful session. The debates on the Budget, both at this stage and when the figures were under detailed scrutiny three weeks ago, have been practical and suggestive; and my Government are indebted to a number of Hon'ble Members for advice and criticism of much value, which, even where we cannot act upon them at the moment, will receive our careful consideration. Into the details of the financial arrangements embodied in the Budget, it would be superfluous for me to enter. I gather that they meet with the general approval of the Council; and I can only add the hope that the coming year will fulfil our expectations, that prosperity will grow, that there will be a good monsoon and that India will be spared the too oft recurring sadness of pestilence and famine.

"In their broad features our finances seem to me to reflect with much fidelity the general condition of the country. The financial position, like our

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political position, has greatly improved since the gloomy days of 1908. We have obtained a breathing-space, which should enable us to look into the future and prepare ourselves for what it may bring. That it will bring problems of much complexity, no one of us can doubt. The sacrifices, for example, which we are making for the reformation of China will impose a heavy burden on the Indian Exchequer, and no small hardship upon many of our own people and several of the Feudatory States. But there are other difficulties ahead of us, the effect of which is less easy to gauge. There are the very pressing claims of education, of the public health, of medical relief, of industrial development, and of many other social needs which must necessarily increase with the growing political sense of India. All these will cast liabilities on the public purse, impossible to estimate in advance, but certainly heavy and increasing. As in the realm of politics, so also in our finances, I have every confidence that we shall solve the problems and surmount the difficulties that the future has in store for us. But they warn us of the need for caution in our financial methods and sobriety in our public expenditure.

"In most of the recent criticisms on our financial position, I have been struck by a certain note of impatience. In the business world, our trade is described as moving more slowly than it should, our industries as not expanding rapidly enough, and our organisation of capital in India as needlessly backward. In this Council the same note has been sounded. There seems to be a feeling that we are old-fashioned in our ideas about debt, that we make too much perhaps of our opium losses ; and we are urged to spend more rapidly on education, to give more abundantly to the Provinces, and so forth. In all this there is much with which I can sympathize. Impatience, when it means a striving after the more speedy attainment of high ideals, is admirable. But there is a form of impatience in national finance which has its dangers. For the progress of a country must rest on a solid basis of national credit ; and we could not do a greater disservice to the advance of India in education or industry or social well-being than by doing anything which would weaken our credit or shake public confidence in our financial methods or embarrass our solvency in the future.

"From this point of view I think that our financial conservatism is fully justified. I do not think it is overdone, or that any one can accuse us of standing still. Our normal revenues are steadily growing ; our exchange is stable ; our operations on the money market have been successful ; and we have given, in our grants of nearly one million sterling for education and sanitation, a more imposing contribution to those services than in any previous year of our history. Turn to our commerce and it tells the same tale ; for the value of our external trade in the current year is now approaching £375 millions sterling—by far the highest figure on record. Our position on all sides is thus one of much strength.

"It is no time, however, for indiscriminate optimism. Apart from the special financial problems to which I have referred, apart also from the varying fortunes of the seasons on which our prosperity so largely depends, we see all round us unmistakable signs of the economic changes which now have India in their grip. To some of these signs the Hon'ble the Finance Member has alluded—the growing employment of gold, the release of hoarded rupees, the enlarged use of our paper currency. Others are visible in the growth of joint-stock banking, and the rapid spread of co-operative credit societies. We have entered upon a period of economic unrest and transition ; and if our Indian finance is to come through in safety, our watch-words must be caution and economy. Caution we have shown, and I trust we shall continue to show. Economy is ever present to my mind ; and I cordially endorse the undertaking that has been given by my Government to examine the whole question of our departmental expenditure, both civil and military, with a view to restraining its growth as well as to actual reductions wherever practicable. Retrenchment is not always an agreeable task, and it is difficult to reconcile with some of our ideals of administration. But in the present circumstances of India, public economy is the clearest of necessities ; and I am confident that its fruits will justify the sacrifices that it may entail.

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"On this subject I have only a few more words to say. They relate to the permanent financial settlements which, with the approval of His Majesty's Government, we have now concluded with the Provinces. That measure has attracted a certain amount of natural and very temperate criticism, although I gather that most of the Provinces recognise the substantial liberality which animated it. I wish, however, to put the matter to the Council in the light of what I have just been saying. If caution and economy are necessary in Imperial finance, they are equally imperative in the management of that portion of the public funds which is under Provincial control. But how the Provinces are to help us effectively in the careful administration of our finances, I cannot see unless their share of responsibility is definitely and permanently fixed. I regret that some of the Provinces should find the arrangement less favourable to them than they had hoped. I doubt if complete equality of treatment would ever be attainable, and I can only give the assurance that my Government has done its best to remove all substantial grievances. Besides, being an essential step towards the greater stability of Indian finance, the permanent settlements confer a large measure of true decentralization; and I feel sure that I may now call on the Provinces, as our partners in the work of good government, to co-operate with us in that economy without which true efficiency is impossible.

"Although it cannot be said that the matter to which I now wish to refer is dependent on the Budget at present under discussion, I would like to touch on the subject of the accommodation provided for the Supreme Legislative Council, upon which a question was put some time ago by an Hon'ble Member.

"It has always appeared to me that the accommodation provided for this Council is entirely inadequate and should be on a much more important and dignified scale. I sympathize entirely with the desire of the Hon'ble Mr. Sinha that a properly equipped Library attached to the Council Chamber should be furnished to Hon'ble Members, where they could have access to books of reference and other books of utility in debate. There should also be Committee rooms where groups could meet and confer with each other, which would be very difficult to do here. Further, it seems to me utterly impracticable and absurd that during the session of the Council the work of the Government of India should be practically at a standstill and paralysed by the fact that the Secretaries of Government have to be present in Council even when the affairs of their own Department are not under discussion. This defect could easily be remedied if in another Council building each Secretary were provided with a small room where he could, when not required in the Council Chamber, continue to transact the business of his Department and yet be available at a moment's notice for his duty as Member of the Legislative Council. I do not dilate upon the discomfort of this Council Chamber, especially during some days of this month when the temperature was exceptionally high. I think we have all borne our burden and the heat of the day with fortitude and resignation, but I do not know whether these will be constant qualities in the future. I greatly regret that the limitations of Government House prevent me from offering better accommodation to the Council; but although Government House is a very fine and stately building, I had, during the visit of the German Crown Prince, to lodge many of his suite in tents, and when Their Majesties do me the honour of coming to Government House next winter, I shall have to put the overflow under canvas in the garden and possibly on the Maidan. I think therefore that Members of Council should consider whether the time has not arrived to discuss the question of finding a suitable site and of building a new Council Hall more in accordance with the needs and dignity of the Supreme Legislative Council. To do so would of course cost money, and it is with some hesitation that I make this suggestion with the watchful eye of the Cerberus of the Finance Department upon me and with the prediction ringing in my ears of a shrinking revenue in the future. I feel however, that it is not merely a question of comfort, but of efficiency that is at stake, and if such views as I have just outlined meet with the approval of Hon'ble Members, I hope that at the next meeting of Council they will favour the Government and Council with an expression of their opinions. In

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the meantime I hope that it is not necessary for me to say that so long as I live in Government House, I shall always esteem it a great honour for my Legislative Council to meet under my roof.

"There is one other subject upon which I should like to say a few words before Hon'ble Members leave Calcutta. The King-Emperor proposes, as you are all aware, to hold a great Durbar at Delhi in December next, and it has been a great pleasure to listen to the words said here by Hon'ble Members to-day and to record the wave, I might say the tidal wave, of enthusiasm that has swept the country from end to end on the receipt of the news in India. I can picture to myself the striking warmth and cordiality of the reception that the King-Emperor and the Queen will receive from all classes on their arrival in this country, and I may add that it is the desire of our King-Emperor to see as many as possible of His Majesty's Indian subjects. With this object in view arrangements are being made at Delhi, so that opportunities may be given to all to see Their Majesties. It will, I think, be no indiscretion on my part to state that according to present arrangements Their Majesties hope to arrive at Bombay on the 2nd December, and in Delhi on the 7th December, when the State Entry will be made. Owing to the lack of space at the Railway Station, those taking part in the reception there will necessarily be few in number; but it is proposed that Their Majesties shall be received by the Representatives of British India at a position to be selected on the Ridge of Delhi where ample space will be secured. I am leaving to-morrow night for Delhi on purpose to supervise these arrangements and to select a suitable spot. The date of the actual Durbar has been fixed for the 12th, and every preparation is being made for a Coronation ceremony worthy of our King-Emperor and in accordance with the dignity of the Sovereign of this great Empire. I may mention that I am endeavouring to arrange that the actual crowning ceremony may be witnessed by about 100,000 of our fellow-subjects, of whom the vast majority will be Indians. Amongst other incidents of interest that will take place will be a review of troops, a reception by His Majesty of Indian officers of British Indian regiments, and a fête for the people, who will also be given the opportunity of seeing their Emperor and King. I am in hope that Their Majesties will arrive in Calcutta before the New Year—on the 30th December.

"I have ventured to detain you longer than I intended as I wish to take Hon'ble Members of my Council into my confidence and to give you some idea of the preparations now being made to afford Their Majesties a fitting welcome on the great and auspicious occasion that is before us.

"I should like to add one word of thanks to the Hon'ble Mr. Dadabhoy for his sympathetic reference to the accident and illness of Lord Crewe. From information I have received his illness was a case of overwork due to the conscientious manner in which he threw himself into the work of the India Office, of which no detail was too trivial to engage his serious attention. I share the hopes of the Hon'ble Member and of all here that this distinguished and liberal-minded statesman, who is one of my best and oldest friends, may soon be restored to health and to his duties at the India Office.

"In conclusion, I thank you all for your valuable co-operation in the legislative work of this session; and I now declare the Council adjourned *sine die*."

J. M. MACPHERSON,

*Secretary to the Government of India,
Legislative Department.*

CALCUTTA;
The 7th April 1911. }

APPENDIX A.

(Vide page 564.)

STATEMENTS SHOWING THE AVERAGE FEE PER MONTH PER PUPIL COLLECTED IN VARIOUS CLASSES OF BOYS' INSTITUTIONS IN THE SEVERAL PROVINCES.

Average fee per month per pupil collected in boys' institutions in Madras.

	Class.	Government.		Municipal and District Boards.		Aided.	
		1904.		1910.		1904.	
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1	Arts Colleges . . .	6 13 10	6 9 3	5 15 4	5 15 6	4 14 3	6 1 6
2	Law Colleges . . .	13 15 8	7 3 6	...	...	...	...
3	High Schools . . .	1 5 0	1 8 10	2 1 3	1 10 6	1 8 6	1 9 6
4	Middle English Schools . .	0 4 4	0 2 10	0 15 2	0 11 8	0 11 3	0 11 7
5	Middle Vernacular Schools .	0 5 10	0 3 0	0 3 2	0 2 6	0 5 4	0 3 0
6	Primary Schools . . .	0 0 6	0 0 9	0 1 4	0 0 10	0 1 3	0 1 0

Average fee per month per pupil collected in boys' institutions in Bombay.

	Class.	Government.		Municipal and District Boards.		Aided.	
		1904.		1910.		1904.	
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1	Arts Colleges . . .	8 0 2	8 3 3	...	...	5 11 0	5 12 5
2	Law Colleges . . .	4 6 9	5 10 3	...	...	...	...
3	High Schools . . .	2 1 3	2 1 8	0 15 11	1 4 7	1 10 7	1 12 10
4	Middle English Schools . .	1 13 0	1 11 6	1 1 1	0 13 1	0 15 7	0 15 2
5	Middle Vernacular Schools .	...	...	...	...	...	...
6	Primary Schools . . .	0 1 8	0 2 0	0 0 10	0 0 10	0 1 9	0 2 2

Average fee per month per pupil collected in boys' institutions in Bengal.

Class.		Government.		Municipal and District Boards.		Aided.	
		1904.	1910.	1904.	1910.	1904.	1910.
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1	Arts Colleges . . .	7 7 8	9 6 0	4 14 10	3 3 7	3 7 9	4 7 7
2	Law Colleges . . .	3 9 6	5 9 7	5 6 2	6 9 6	...	...
3	High Schools . . .	1 14 10	1 13 7	1 11 7	1 12 2	1 2 3	1 6 7
4	Middle English Schools . .	1 7 4	3 13 5	0 7 0	0 5 6	0 7 5	0 8 7
5	Middle Vernacular Schools .	0 2 5	0 2 10	0 4 3	0 3 6	0 4 11	0 4 7
6	Primary Schools . . .	0 0 5	0 0 9	0 1 3	0 0 4	0 2 0	0 2 1

Average fee per month per pupil collected in boys' institutions in the United Provinces.

Class.		Government.		District and Municipal Boards.		Aided.	
		1904.	1910.	1904.	1910.	1904.	1910.
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1	Arts Colleges . . .	7 10 8	7 10 9	...	...	5 3 2	5 4 8
2	Law Colleges . . .	5 3 9	...	...	...	2 13 0	...
3	High Schools . . .	1 10 0	1 7 9	1 1 3	1 7 7	1 7 8	1 9 7
4	Middle English Schools .	0 14 11	...	0 11 10	0 13 10	0 10 0	0 10 7
5	Middle Vernacular Schools .	0 1 8	0 1 11	0 2 7	0 3 1	0 1 4	0 1 10
6	Primary Schools . . .	0 4 10	...	0 0 4	0 0 5	0 0 3	0 0 2

Average fee per month per pupil collected in boys' institutions in the Punjab.

Class.	Government.		Municipal and District Boards.		Aided.	
	1904.	1910.	1904.	1910.	1904.	1910.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1 Arts Colleges . . .	7 8 2	6 13 8	...	...	5 6 11	5 3 8
2 Law Colleges . . .	...	...	...	...	8 3 4	...
3 High Schools . . .	1 2 0	1 3 11	1 5 11	0 14 10	1 3 8	0 15 11
4 Middle English Schools . .	...	...	0 11 8	0 10 5	0 10 2	0 9 7
5 Middle Vernacular Schools .	...	...	0 3 1	0 2 9	...	0 1 1
6 Primary Schools . . .	0 4 1	0 0 11	0 0 11	0 0 8	0 0 8	0 0 7

Average fee per month per pupil collected in boys' institutions in Burma.

Class.	Government.		Municipal and District Boards.		Aided.	
	1904.	1910.	1904.	1910.	1904.	1910.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1 Arts Colleges . . .	7 2 7	7 3 9	...	...	2 5 10	5 10 9
2 Law Colleges . . .	...	...	...	...	...	...
3 High Schools . . .	3 0 0	2 10 7	2 4 11	2 10 7	1 14 1	1 13 5
4 Middle English Schools . .	1 14 7	2 0 3	1 14 5	2 6 7	1 6 7	1 13 2
5 Middle Vernacular Schools .	...	0 2 9	...	0 2 3	...	0 1 8
6 Primary Schools . . .	0 11 2	0 6 1	1 7 5	0 1 8	0 0 2	0 1 6

Average fee per month per pupil collected in boys' institutions in the Central Provinces.

Class.	Government.		Municipal and District Boards.		Aided.	
	1904.		1910.		1904.	
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1 Arts Colleges . . .	6 8 7	4 13 10	...	...	3 6 6	3 6 9
2 Law Colleges . . .	4 5 5	5 0 8	...	...	...	...
3 High Schools . . .	2 0 11	1 6 2	...	1 10 2	1 12 0	1 7 2
4 Middle English Schools . . .	0 5 2	0 4 1	0 8 4	0 5 3	0 13 8	0 12 11
5 Middle Vernacular Schools . . .	0 0 1	...	0 0 1	0 0 1	0 0 2	0 0 4
6 Primary Schools . . .	0 0 6	0 0 5	0 0 1	0 0 1	0 1 10	0 1 3

Average fee per month per pupil collected in boys' institutions in Eastern Bengal and Assam.

Class.	Government.		Municipal and District Boards.		Aided.	
	1904.		1910.		1904.	
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1 Arts Colleges . . .	5 5 7	5 3 9	...	...	...	2 11 3
2 Law Colleges . . . .	...	3 12 3	...	...	...	...
3 High Schools	1 10 5	1 9 8	...	1 8 0	1 2 10	1 15 11
4 Middle English Schools . . .	0 4 11	0 6 0	0 7 4	0 7 8	0 6 2	0 7 6
5 Middle Vernacular Schools . . .	0 4 8	0 4 4	1 15 11	0 5 3	0 4 1	0 4 9
6 Primary Schools . . . .	...	0 0 7	0 0 4	0 0 7	0 0 8	0 2 0

Average fee per month per pupil collected in boys' institutions in the North-West Frontier Province.

Class.	Government.		Municipal and District Boards.		Aided.	
	1904.		1910.		1904.	
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1 Arts Colleges	4 11 6
2 Law Colleges
3 High Schools	0 11 8	0 10 11	0 13 4	0 9 6
4 Middle English Schools	0 6 9	0 5 6	...	...
5 Middle Vernacular Schools	0 1 0	0 1 0
6 Primary Schools	0 5 9	0 0 3	0 0 2	0 1 9	0 0 10



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CALCUTTA; MONDAY, JANUARY 2, 1911.

FOREIGN DEPARTMENT.

NOTIFICATION.

Fort William; the 2nd January, 1911.

His Majesty the King, Emperor of India, has been pleased to grant personal salutes of 19 and 11 guns, respectively, to—

HIS HIGHNESS RAJA SRI SIR RAMA VARMA, G.C.S.I., Raja of Cochin.

SIR AHMAD FADTHL, K.C.S.I., Sultan of Al Hauta (Lahej).

J. B. WOOD,

Secretary to the Government of India.

FOREIGN DEPARTMENT.

ORDER OF THE STAR OF INDIA.

NOTIFICATION.

Fort William; the 2nd January, 1911.

His Excellency the Grand Master of the Most Exalted Order of the Star of India is pleased to announce that His Majesty the KING, EMPEROR OF INDIA, has been graciously pleased to make the following promotions in and appointments to the said Order:

To be Knights Grand Commanders.

SIR STEUART COLVIN BAYLEY, K.C.S.I., C.I.E., Indian Civil Service (retired).

SIR DENNIS FITZPATRICK, K.C.S.I., Indian Civil Service (retired).

SIR WILLIAM LEE-WARNER, K.C.S.I., Indian Civil Service (retired), Member of the Council of India.

To be Knights Commanders.

JOHN ONTARIO MILLER, Esquire, C.S.I., Indian Civil Service, lately an Ordinary Member of the Council of the Governor-General.

The Honourable Mr. LIONEL MONTAGUE JACOB, C.S.I., M.I.C.E., Secretary to the Government of India, Public Works Department, and an Additional Member of the Council of the Governor-General for making Laws and Regulations.

The Honourable Mr. MURRAY HAMMICK, C.S.I., C.I.E., an Ordinary Member of Council of the Governor of Fort St. George.

To be Companions.

Colonel (temporary Major-General) REGINALD HENRY MAHON, C.B., Director-General of Ordnance in India.

The Honourable Mr. MICHAEL WILLIAM FENTON, Indian Civil Service, Chief Secretary to the Government of the Punjab, and an Additional Member of the Council of the Lieutenant-Governor of the Punjab for making Laws and Regulations.

Lieutenant-Colonel ALEXANDER FLEETWOOD PINHEY, C.I.E., Indian Army, lately Private Secretary to His Excellency the Viceroy.

Captain ALLEN THOMAS HUNT, Royal Navy, Commander, H. M. S. *Fox*.
WALTER BADOCK, Esquire, Accountant-General at the India Office and Director of Funds and Official Agent to Administrators-General in India.

JAMES MOLLISON, Esquire, M.R.A.C., Inspector-General of Agriculture in India (on leave).

PIRAJIRAO BAPU SAHIB GHATGE, C.I.E., Chief of Kagal (Senior Branch), Kolhapur.

By Order of the Grand Master,

J. B. WOOD,

*Secretary to the Most Exalted Order
of the Star of India.*

ORDER OF THE INDIAN EMPIRE.**NOTIFICATION.***Fort William; the 2nd January, 1911.*

His Excellency the Grand Master of the Most Eminent Order of the Indian Empire is pleased to announce that His Majesty the KING, EMPEROR OF INDIA, has been graciously pleased to make the following promotion in and appointments to the said Order:

To be Knights Commanders.

His Excellency Rear-Admiral EDMOND JOHN WARRE SLADE, M.V.O., Royal Navy, Commander-in-Chief, East Indies.
JOHN BENTON, Esquire, C.I.E., F.C.H., M.I.C.E., Inspector-General of Irrigation in India.

To be Companions.

The Honourable Mr. JOHN BARRY WOOD, Indian Civil Service, Officiating Secretary to the Government of India, Foreign Department, and an Additional Member of the Council of the Governor-General for making Laws and Regulations.

The Honourable Lieutenant-Colonel GEORGE GORDON, V.D., Commandant, Northern Bengal Mounted Rifles, and an Additional Member of the Council of the Lieutenant-Governor of Bengal for making Laws and Regulations.

Colonel RALPH CHAMPNEYS BROOME, Indian Army, Director-General, Army Remount Department.

Colonel FRANK GOODWIN, V.D., Locomotive Superintendent, Rajputana-Malwa Railway, and Commandant, 2nd Battalion, Bombay, Baroda and Central India Railway Volunteer Rifles.

Lieutenant-Colonel GEORGE FREDERICK CHENEVIX-TRENCH, Indian Army, Political Agent in Zhob.

ARCHIBALD YOUNG GIPPS CAMPBELL, Esquire, Indian Civil Service, Private Secretary to the Governor of Madras.

ANDREW BIGOE BARNARD, Esquire, Bengal Police Department, Deputy Director, Criminal Intelligence.

JAMES ADOLPHUS GUIDER, Esquire, Superintendent of Police, Bombay.

JOHN PAUL WARBURTON, Esquire, Punjab Police Department (retired), lately Inspector-General of Police, Patiala State.

JAMES WILLIAM DOUGLAS JOHNSTONE, Inspector-General of Education in Gwalior State.

FAKIR SAYAD IFTAKHAR-UD-DIN, Punjab Provincial Service, and sometime British Agent at Kabul.

By Order of the Grand Master,
J. B. WOOD,
*Secretary to the Most Eminent
Order of the Indian Empire.*

FOREIGN DEPARTMENT.

NOTIFICATION.

Fort William; the 2nd January, 1911.

His Majesty the KING, EMPEROR of INDIA, has been pleased to confer the honour of Knighthood on—

The Honourable Mr. ARTHUR MILFORD KEE, C.I.E., an Additional Member of the Council of the Lieutenant-Governor of the Punjab for making Laws and Regulations.

The Honourable Mr. HENRY EDWARD EDLESTON PROCTER, an Additional Member of the Council of the Governor of Bombay for making Laws and Regulations.

Lieutenant-Colonel DAVID SEMPLE, M.D., Royal Army Medical Corps, Director, Central Research Institute, Kasauli.

J. B. WOOD,

Secretary to the Government of India.

FOREIGN DEPARTMENT.

NOTIFICATIONS.

Fort William; the 2nd January, 1911.

His Excellency the Viceroy and Governor-General is pleased to confer upon Khani Zaman Khan, Chief of Amb, in the North-West Frontier Province, the title of Nawab as a personal distinction.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Raja, as a personal distinction, upon—

M. R. Ry. Jaga Vira Rama Venkatesvara Ettappa Nayakkar Avergal, Zamindar of Ettiyapuram, in the Madras Presidency.

Srimant Balkrishna Rao, of Gursarai, Jhansi, in the United Provinces.

His Excellency the Viceroy and Governor-General is pleased to confer upon Maulvi Abdul Munim, Officiating Superintendent of the Hooghly Madrassa and Professor in the Hooghly College, in Bengal, the title of Shams-ul-Ulama as a personal distinction.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Mahamahopadhyaya, as a personal distinction, upon—

M. R. Ry. Tata Subbaraya Sastri Garu, Head Pandit, Maharaja's Sanskrit College, Vizianagram, in the Madras Presidency.

Babu Kali Prasanna Bhattacharji, Officiating Principal, Sanskrit College, Calcutta, in Bengal.

Pandit Madhab Chandra Tarkachuramani, Adhyapak, Sutrapur Tol, Dacca, in the Province of Eastern Bengal and Assam.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Diwan Bahadur, as a personal distinction, upon—

M. R. Ry. Rao Bahadur Mutlur Adinarayana Ayya Garu, retired Deputy Commissioner of Revenue Settlement, in the Madras Presidency.

M. R. Ry. Veeraraghavapuram Nagam Aiya Garu, retired Senior Diwan Peshkar in the Travancore State, in the Madras Presidency.

M. R. Ry. Attukal Govinda Pillai Avergal, retired Senior Puisne Judge of the High Court in the Travancore State, in the Madras Presidency.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Sardar Bahadur, as a personal distinction, upon—

Subadar Abhiram Thapa, Lushai Hills Military Police Battalion, in the Province of Eastern Bengal and Assam.

Sardar Dal Singh, of Malaudhi, Ludhiana District, in the Punjab.

Subadar-Major Sardara Singh, Rangoon Battalion, Burma Military Police.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Khan Bahadur, as a personal distinction, upon—

Mir Asad Ali Khan, of Banganapalle, in the Madras Presidency.

Shaikh Sadik Ali Sher Ali, Vazir of the Khairpur State, in the Bombay Presidency.

Abdul Kadar Makawi, Town Overseer, Aden Settlement.

Ali Muhammad Hasan Ali Akhund, LL.B., F.U.B., Subordinate Judge, in Sind.

Maulvi Ahsanulla, Inspector of Schools, Chittagong Division, in the Province of Eastern Bengal and Assam.

Munshi Jamaluddin, Assistant Manager of the Kapurthala Estate in Oudh.

Maulvi Muhammad Shafi, Sub-Judge, in the United Provinces.

Shaikh Abdul Ghafur, Honorary Magistrate and Chairman of the Municipal Board, Budaun, in the United Provinces.

Munshi Yakut Khan, Inspector of Police, in the United Provinces.

Munshi Yusuf Ali, Meerut, in the United Provinces.

Maulvi Nihaluddin Ahmad, Deputy Collector, Una, in the United Provinces.

Khan Sahib Sheikh Muhammad Bakhsh, General Contractor and House Proprietor, Lahore, Punjab.

Maulvi Umr-ud-din, Inspector of Schools in the Punjab.

Ata Muhammad Khan, Malik of Kalabagh, Honorary Magistrate and Jagirdar, Mianwali District, in the Punjab.

Nasarwanji Jehangir Jamasji, Rawal Pindi, in the Punjab.

Subadar Pir Muhammad Khan, Mandalay Battalion, Burma Military Police.

Haji Ismail Sait, Merchant, Bangalore, in Mysore.

Khan Sabib Zainulabuddin, Deputy Superintendent of Police, in the North-West Frontier Province.

Khan Sahib Maulvi Ahmad Din, Personal Assistant to the Resident in Waziristan, in the North-West Frontier Province.

Yusufali Yákubali Jamadar, Barrister-at-Law, Police Commissioner and Inspector-General of Prisons, Baroda State.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Rai Bahadur, as a personal distinction, upon—

The Hon'ble Babu Baikuntha Nath Sen, Pleader, Berhampur, Murshidabad, and Member of the Bengal Legislative Council.

Babu Nishi Kanta Sen, Vice-Chairman, Purnea Municipality, and Government Pleader, Purnea, in Bengal.

Babu Gopi Krishna Banarji, B.L., retired Subordinate Judge, in Bengal.

Babu Purnendu Narayan Singh, B.L., Government Pleader, Patna, in Bengal.

Babu Lal Madhukar Sai, Zamindar, Sambalpur, in Bengal.

Babu Bipin Bihari Gupta, Principal, Hooghly College, in Bengal.

Babu Banshi Dhar Banarji, B.L., Deputy Collector, in Bengal.

Babu Aghor Chandra Hazra, B.L., retired Subordinate Judge, in Bengal.

Rai Sahib Lakshmi Narayan Burman, Registrar, Army Department, Government of India.

Rai Sahib Upendra Nath Kanjilal, Divisional Forest Officer, in the Province of Eastern Bengal and Assam.

Babu Sita Mohan Das, Vice-Chairman of the North Sylhet Local Board, in the Province of Eastern Bengal and Assam.

Babu Pyari Lal Rai Chaudhuri, Zamindar, Shaistanagar, Noakhali, in the Province of Eastern Bengal and Assam.

Pandit Kanhaiya Lal, LL.B., Assistant Sessions Judge, Meerut, in the United Provinces.

Har Prasad, Assistant Surgeon in Charge of the Sadr Dispensary, Bareilly in the United Provinces.

Babu Bepin Behari Mukerji, B.L., retired Judge of the Small Cause Court, in the United Provinces.

Munshi Kanhaiya Lal, late Deputy Collector, in the United Provinces.

Lala Lakshmi Chand, Managing Proprietor of the firm of Incha Ram & Co., Bankers, and a Contractor in the Supply and Transport Corps, Lucknow, in the United Provinces.

Chaudhri Maharaj Singh, Deputy Collector, Etawah, in the United Provinces.

Rai Sahib Arjan Das, Extra Assistant Commissioner in the Punjab.

Rai Bishen Das Sahib, Personal Assistant to the Manager, North-Western Railway.

Chaudhri Pulandar Singh, of Basanpani, Narsinghpur District, in the Central Provinces.

Seth Jiwandass, of Jubbulpore, in the Central Provinces.

Rai Sahib Surjan Singh, Senior Sub-Assistant Surgeon, Quetta, Baluchistan.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Rao Bahadur, as a personal distinction, upon—

M. R. Ry. Conjeeveram Krishnaswami Rao Avergal, Subordinate Judge, in the Madras Presidency.

M. R. Ry. Tandalam Sundara Rao Avergal, Deputy Collector, in the Madras Presidency.

M. R. Ry. Agaram Subbarayulu Reddiar Garu, Chairman of the Cuddalore Municipal Council, in the Madras Presidency.

The Hon'ble Rao Sahib Nempatti Subba Rao Garu, Member of the Madras Legislative Council.

M. R. Ry. Vangupuram Ramaswami Aiyangar Avergal, Deputy Superintendent of Police, in the Madras Presidency.

M. R. Ry. Munirpalliam Rajam Aiyar Ramakrishna Aiyar Avergal, High Court Vakil of Tinnevelly, in the Madras Presidency.

M. R. Ry. Kadiresar Vaithalingam Pillai Avergal, Personal Assistant to the Post Master General, Madras.

Rao Sahib Narayan Yeshvant Pradhan, Daftardar to the Political Agent, Kolhapur and Southern Maratha Country, in the Bombay Presidency.

Divan Bulchand Dayaram, Principal of the Navalrai Hiranand Academy, Hyderabad, and President of the Hyderabad City Municipality, in Sind.

Venkatrav Subrav Koppikar, Assistant to the Commissioner, Southern Division of the Bombay Presidency.

Dr. Dinanath Balkrishna Naik Dandekar, L.M. and S., Municipal Councillor and Honorary Magistrate for Bombay.

Hari Shridhar Bharve, Honorary Magistrate, Nagpur, in the Central Provinces.

Asur Rangaswami Iyengar, Revenue Commissioner of Mysore.

Deshmukh Shama Rao, Superintendent of Survey and Settlement in Mysore.

Thakur Raj Singh of Bedla, in Rajputana.

Thakur Chain Singh of Asop, Member of Council of the Jodhpur State, in Rajputana.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Sardar Sahib, as a personal distinction, upon—

Sant Singh, Pleader and Member of the Municipal Committee, Dera Ghazi Khan, in the Punjab.

Munshi Sundar Singh, Sub-Engineer in the Irrigation Branch of the Public Works Department, Punjab.

Sukha Singh, Inspector of Police in the Punjab.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Khan Sahib, as a personal distinction, upon—

Muhammad Abdul Karim Sahib Faruki, Inspector of Police, in the Madras Presidency.

Jafar Muhi-ud-din Padshah Sahib, Merchant of Salem, in the Madras Presidency.

Shaikh Mustaffa Shaikh Selar, Sub-Inspector of Police, in the Satara District of the Bombay Presidency.

Mahamurkhan Ismailkhan, Mukadam of Mahad, Kolaba District, in the Bombay Presidency.

Haji Suleman Ghulamhusain, G.B.V.C., Officer in charge of the Richmond Crawford Veterinary Dispensary at Karachi, in the Bombay Presidency.

Saiyid Alibakhsh Shah walad Ali Muhammad Shah of Wahnai, Taluka Badin, Hyderabad, Sind.

Saiyid Muinuddin Saiyid Husain, Assistant Deputy Inspector of Urdu Schools, Bombay.

Maulvi Saiyid Ahmad Ali Khan, Deputy Magistrate and Deputy Collector, in Bengal.

Maulvi Abdul Muqtadir, Khoda Bakhsh Oriental Library, Bankipur, in Bengal.

- Maulvi Amjad Ali, Superintendent of the Office of the Inspector-General of Registration, in the Province of Eastern Bengal and Assam.
- Hafiz Sharif Shah, Pir of Imphal, Manipur, in the Province of Eastern Bengal and Assam.
- M. Hira Khan, District Supervisor, of Agra, in the United Provinces.
- M. Wali Muhammad Khan, of Raikot, Ludhiana District, in the Punjab.
- Bakhshi Ghazanfar Ali, Extra Assistant Settlement Officer in the Punjab.
- Sheikh Amir Ali, Extra Assistant Judicial Assistant Commissioner in the Punjab.
- Mirza Ikram-ullah Khan, of Wazirabad, Gujranwala District, in the Punjab.
- Mr. Pestonji Dadabhoy, Barrister-at-Law, Lahore, in the Punjab.
- Habib-ur-Rahman Khan, Sub-Editor, "Fauji Akbar", Delhi, in the Punjab.
- Sayyid Nizam-ud-din, Senior Sub-Assistant Surgeon, Residency Hospital, Hyderabad, Deccan.
- Mir Amjad Ali, Guna, in Central India.
- Munshi Nadir Hussain, Kamdar of Bihat, Dhurwai, and Bijna, in Central India.
- Manuckjee Bezonjee, late Chief Clerk, 5th (Mhow) Divisional Office, in Central India.
- Mir Ahmad Khan, Political Native Assistant at Chaman, Baluchistan.
- Jalamb Khan, Headman of the Jafrani section of the Masori clan of the Bugti tribe, Baluchistan.
- Karimdad Khan, Headman of the Langhani section of the Marri tribe, Baluchistan.
- Sarfraz Khan, Malik of Chamkanni, in the North-West Frontier Province.
- Haq Nawaz Khan, Deputy Superintendent of Police, Bannu District, in the North-West Frontier Province.
- Talab Din Khan, Marwat, Malik of Mullazai, in the North-West Frontier Province.
- Mahmud Jan Khan, of Kafurdheri, in the North-West Frontier Province.
- Hafiz Haq Nawaz Khan, Naib Tahsildar, Superintendent of the Office of the Resident in Waziristan, in the North-West Frontier Province.
- Jamadar Dilmorad Jalal Khan, Jamadar of the Line Guards, Indo-European Telegraph Department, on the Mekran Coast.
- Sheikh Attar Hussain, Military Sub-Assistant Surgeon, Kashmir.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Rai Sahib, as a personal distinction, upon—

Babu Bhubaneswar Bahidar, Diwan of Borasambar Zamindari, Sambalpur, in Bengal.

- Babu Gyan Chandra Chaudhuri, late Head Assistant, Bengal Secretariat,
Babu Bhupendra Nath Mukharji, Deputy Magistrate and Deputy Collector,
Sub-Divisional Officer of Barasat, 24-Parganas, in Bengal.
Babu Bhupen Mohan Sanyal, of Bhagalpur, in Bengal.
Babu Atul Chandra Banarji, District Engineer, Palamau, in Bengal.
Babu Guru Nath Sen, Senior Grade Sub-Assistant Surgeon, Mitford
Hospital, Dacca, in the Province of Eastern Bengal and Assam.
Har Prasad, Jailer, Bareilly District Jail, in the United Provinces.
Babu Kali Charan Nigam, Honorary Magistrate, Una, in the United
Provinces.
Seth Kirpa Ram, Divisional Treasurer, Rawal Pindi, in the Punjab.
Lala Shib Sahai, Superintendent, Railway Mail Service, and Personal
Assistant to the Inspector-General, Railway Mail Service and Sorting,
Northern Circle.
Pandit Kirparam, Diwan of the Raigarh State, in the Central Provinces.
Seth Ganesh Ram, Member of the Municipal Committee and the District
Council of Raipur, in the Central Provinces.
Lala Beli Ram, Pleader of Dera Ismail Khan, in the North-West Frontier
Province.
Bhai Lehna Singh, Extra Assistant Commissioner, District Judge, Hazara,
in the North-West Frontier Province.
Babu Achuk Tsering, Confidential Clerk, Office of the Political Officer in
Sikkim.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Rao Sahib, as a personal distinction, upon—

- M. R. Ry. Kunnathur Vijayaraghava Chariar Avergal, Deputy Collector, in the Madras Presidency.
M. R. Ry. Srirangam Madhava Rao Rajaram Rao Avergal, Editor and Proprietor of the "Wednesday Review" in the Madras Presidency.
M. R. Ry. Singanallur Narayananachari Vada Rajachar Avergal, Deputy Collector, in the Madras Presidency.
M. R. Ry. Joisa Seenam Batt Garu, Chairman of the Hadagalli Union, in the Madras Presidency.
M. R. Ry. Dhara Markandeya Sastrulu Garu, Proprietor of Uppaladinne, in the Madras Presidency.
Kalpatti Dharmaraja Aiyar Subramania Aiyar, Secretary to the Municipality, Salem, in the Madras Presidency.
Sakharam Subhanrav Salvi, Inspector of Police, in the Kolaba District of the Bombay Presidency.
Mr. Balkrishna Ramchandra Navalkar, Accountant, Office of the Controller, Public Works Accounts, in the Bombay Presidency.
Adveppa Chanvirappa Angadi, Member of the Taluka Local Board, Lingayat, in the Bombay Presidency.

Ganpat Raghavendra Kalyanpurkar, Personal Assistant to the Collector of Belgaum for Managed Estates, in the Bombay Presidency.

Sheth Pahlajrai Shevaram, Bhatia of Moghulbin, Karachi District, in the Bombay Presidency.

Shivlingrav Jagdevrav Deshmukh, Lingayat Landholder of Almel, Sindgi Taluka of Bijapur, in the Bombay Presidency.

Shivlingappa Baslingappa Mahanshetti, Lingayat Merchant and Landholder of Nesargi, Belgaum District, in the Bombay Presidency.

Anandrav Waman Shete, Personal Assistant to the Municipal Commissioner for the City of Bombay.

Babu Nagarji Dahyabhai Naik, Superintendent, Office of the Inspector-General of Agriculture in India.

Govind Janardhan Bhalerao, Head Master of the Anglo-Vernacular School at Murtizapur, in the Central Provinces.

His Excellency the Viceroy and Governor-General is pleased to confer upon Faujdar Singh, Barrister-at-Law, Amritsar, in the Punjab, the title of Sardar as a personal distinction.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Rai, as a personal distinction, upon—

M. Inayat Khan of Raikot, Ludhiana District, in the Punjab.

Senior Assistant Surgeon Balkishen Kaul, Medical College, Lahore, in the Punjab.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Thuyè gaung ngwe Da ya Min, as a personal distinction, upon—

Maung Po Tha, Deputy Superintendent of Police, in Burma.

Maung Po Kin, Inspector of Police, in Burma.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Ahmudan gaung Tazeik ya Min, as a personal distinction, upon—

Maung Myat Thin (2), Myoðk, in Burma.

Soo Fone Gwen, Superintendent of Post Offices, in Burma.

Hatim Tai, Extra Assistant Conservator of Forests, in Burma.

Maung Thaw Da, Myothugyi and Myoðk, in Burma.

Maung Po Thaung, retired Circle Thugyi, in Burma.

J. B. WOOD,

Secretary to the Government of India.

KAISAR-I-HIND MEDAL.

NOTIFICATION.

Calcutta, the 2nd January 1911.

No. 1.—His Excellency the Viceroy and Governor-General is pleased to announce that His Majesty the King, Emperor of India, has been graciously pleased to award the Kaisar-i-Hind Medal of the First Class for Public Service in India to:—

LADY THERESE MUIR-MACKENZIE, wife of Sir J. Muir-Mackenzie, late Senior Member of the Council of the Governor of Bombay.

LIEUTENANT-COLONEL HENRY SMITH, M.D., Indian Medical Service, Civil Surgeon of Amritsar, Punjab.

MRS. EDWIN DAVIES, Chief Lady Superintendent, Lady Minto Indian Nursing Association.

MAJOR THOMAS WALTER IRVINE, M.B., F.R.C.S.E., Indian Medical Service, late Residency Surgeon, Mewar, Rajputana.

KHAN BAHADUR ARDESHIR DINSHAJI CHINAI, retired District Judge, Central Provinces.

His Excellency the Viceroy and Governor-General is pleased to award the Kaisar-i-Hind Medal of the Second Class for Public Service in India to:—

LIEUTENANT-COLONEL FREDERICK AUGUST CHRISTIAN KREYER, Indian Army, Cantonment Magistrate, Nasirabad.

MRS. MITTER, late Lady Superintendent, District Board Schools, Jullundur.

MA MA GYI of Prome.

MRS. JWALA PRASAD (Srimati Purnima Devi), wife of the Hon'ble Pandit Jwala Prasad, M.A., Collector of Muzaffarnagar, United Provinces.

BABU LAL BIHARI SHAH, Founder, Principal and Secretary of the Industrial Home and School for Blind Children, Entally, Calcutta.

DR. CHARLES BANKS, M.D., C.M., D.P.H., Superintendent of Emigration and Protector of Emigrants, Calcutta.

MRS. SASI MUKHTI NAG, Hospital Assistant in charge of the Lady Dufferin Hospital, Dacca.

THE REV'D. FREDERICK VOLKOMOR PAUL SCHULTZE, Superintendent of the Leper Asylum, Salur, Madras Presidency.

MISS BERTHA THORN, a member of the Baptist Zenana Mission, Delhi.

SHEIKH SALA-UD-DIN, a landlord of Multai in the Betul District, Central Provinces.

MUNSHI GULAM HAFIZ MAHOMMED, a member of the Ajmer Municipal Committee, Rajputana.

LALA RAM DAS, retired Hospital Assistant, Dera Ismail Khan.

MAJOR ROBERT JAMES BLACKHAM, Royal Army Medical Corps, Sanitary officer, 1st (Peshawar) Division.

A. EARLE,

*Offg. Secretary to the Government of India,
Home Department.*

ARMY DEPARTMENT.

Fort William, the 2nd January 1911.

PROMOTIONS.

INDIAN MEDICAL SERVICE.

No. 1.—The following promotions are made, subject to His Majesty's approval :—

To be Brevet-Colonels.

1st January 1911.

Lieutenant-Colonel William Burney Bannerman, M.D.

Lieutenant-Colonel Henry Francis Cleveland.

To be Brevet-Major.

1st January 1911.

Captain Samuel Richard Christophers, M.B.

REWARDS.

ORDER OF BRITISH INDIA.

No. 2.—The Governor-General in Council is pleased to sanction the following promotions in, and appointments to, the Order of British India with effect from the dates specified :—

To the 1st Class, with the title of "Sardar Bahadur".

1. Subadar-Major Rustam Khan, *Bahadur*, 17th Infantry (The Loyal Regiment), *vice* Risaldar-Major Magar Singh, *Sardar Bahadur*, late 38th King George's Own Central India Horse, deceased. Dated 17th July 1909.
2. Subadar-Major Hara Singh, *Bahadur*, 91st Punjabis (Light Infantry), *vice* pensioned Subadar-Major Budda, *Sardar Bahadur*, late Merwara Battalion, deceased. Dated 17th July 1909.
3. Subadar-Major Nawab Khan, *Bahadur*, 30th Mountain Battery, *vice* pensioned Risaldar-Major Shaikh Hussain, *Sardar Bahadur*, late 2nd Bombay Cavalry, deceased. Dated 11th September 1909.
4. Subadar-Major Yar Muhammad, *Bahadur*, 127th Queen Mary's Own Baluch Light Infantry, *vice* pensioned Subadar-Major Zaman Ali, *Sardar Bahadur*, late 40th Pathans, deceased. Dated 4th October 1909.
5. Subadar-Major Rahim Khan, *Bahadur*, 107th Pioneers, *vice* pensioned Subadar-Major Pasand Khan, *Sardar Bahadur*, late 58th Vaughan's Rifles (Frontier Force), deceased. Dated 7th January 1910.
6. Subadar-Major Sandhya-das, *Bahadur*, 25th Punjabis, *vice* pensioned Risaldar-Major Shadi Ram, *Sardar Bahadur*, late 14th Bengal Lancers, deceased. Dated 19th February 1910.
7. Subadar-Major Kushal Sing Burathoki, *Bahadur*, 1st Battalion, 3rd Queen Alexandra's Own Gurkha Rifles, *vice* pensioned Subadar-Major Gurdatt Singh, *Sardar Bahadur*, late 15th Sikhs, deceased. Dated 25th April 1910.
8. Subadar-Major Singbir Ghale, *Bahadur*, 2nd Battalion, 3rd Queen Alexandra's Own Gurkha Rifles, *vice* pensioned Subadar Jiwan Singh, *Sardar Bahadur*, late 4th Punjab Infantry, deceased. Dated 25th August 1910.

9. Risaldar-Major Gurdatt Singh, *Bahadur*, 12th Cavalry, *vice* pensioned Subadar-Major Pir Baksh, *Sardar Bahadur*, late 130th King George's Own Baluchis (Jacob's Rifles), deceased. Dated 19th September 1910.
10. 1st Class Senior Military Sub-Assistant Surgeon Hukam-chand, *Bahadur*, Indian Subordinate Medical Department, *vice* 1st Class Senior Military Sub-Assistant Surgeon Abdul Mahmud Khan, *Khan Bahadur*, *Sardar Bahadur*, Indian Subordinate Medical Department, deceased. Dated 7th August 1910.

To the 2nd Class, with the title of "Bahadur."

1. Risaldar-Major Hamzullah Khan, 17th Cavalry, *vice* Subadar-Major Shiu Narain, *Bahadur*, late Meywar Bhil Corps, deceased. Dated 4th May 1909.
2. Risaldar-Major Ali Haidar Khan, 38th King George's Own Central India Horse, *vice* Subadar-Major Rustam Khan, *Bahadur*, 17th Infantry (The Loyal Regiment), promoted. Dated 17th July 1909.
3. Jemadar Hakim Singh, 8th Mule Corps, *vice* Subadar-Major Hara Singh, *Bahadur*, 91st Punjabis (Light Infantry), promoted. Dated 17th July 1909.
4. Subadar-Major Lachman Dube, 3rd Brahmans, *vice* pensioned Subadar Ram Singh, *Bahadur*, late 35th Sikhs, deceased. Dated 10th September 1909.
5. Subadar-Major Hayatullah, 54th Sikhs (Frontier Force), *vice* Subadar-Major Nawab Khan, *Bahadur*, 30th Mountain Battery, promoted. Dated 11th September 1909.
6. Risaldar-Major Ranjit Singh, 32nd Lancers, *vice* Subadar-Major Yar Muhammad, *Bahadur*, 127th Queen Mary's Own Baluch Light Infantry, promoted. Dated 4th October 1909.
7. Subadar Binda Singh, 16th Rajputs (The Lucknow Regiment), *vice* Subadar-Major Rahim Khan, *Bahadur*, 107th Pioneers, promoted. Dated 7th January 1910.
8. Subadar-Major Darshanu, 67th Punjabis, *vice* pensioned Subadar Baijnath Singh, *Bahadur*, late 13th Bengal Infantry, deceased. Dated 24th January 1910.
9. Subadar Amar Singh, 19th Punjabis, *vice* Subadar-Major Sandhyadas, *Bahadur*, 25th Punjabis, promoted. Dated 19th February 1910.
10. Subadar-Major Mihr Khan, 29th Punjabis, *vice* pensioned Risaldar Babaji Rao Pawar, *Bahadur*, late Governor's Body-Guard, Bombay, deceased. Dated 13th March 1910.
11. Subadar-Major Bisesar Singh, 2nd Queen's Own Rajput Light Infantry, *vice* pensioned Subadar-Major Shaikh Nizam-ud-din, *Bahadur*, late 1st Bengal Infantry, deceased. Dated 11th April 1910.
12. Subadar Sher Singh, 32nd Sikh Pioneers, *vice* Risaldar Zahirullah Khan, *Khan Bahadur*, *Bahadur*, 38th King George's Own Central India Horse, deceased. Dated 19th April 1910.
13. Subadar Moti Gurung, 1st Battalion, 3rd Queen Alexandra's Own Gurkha Rifles, *vice* Subadar-Major Kushal Singh Burathoki, *Bahadur*, 1st Battalion, 3rd Queen Alexandra's Own Gurkha Rifles, promoted. Dated 25th April 1910.
14. Subadar-Major Surja, 48th Pioneers, *vice* pensioned Subadar Rulya Singh, *Bahadur*, late Bengal Sappers and Miners, deceased. Dated 11th June 1910.

15. Subadar-Major Nawal Singh Rana, 1st Battalion, 8th Gurkha Rifles, *vice* pensioned Subadar-Major Mangal Singh, *Bahadur*, late 35th Sikhs, deceased. Dated 14th August 1910.
16. Subadar Niyaz Khan, 57th Wilde's Rifles (Frontier Force), *vice* Subadar-Major Singbir Ghale, *Bahadur*, 2nd Battalion, 3rd Queen Alexandra's Own Gurkha Rifles, promoted. Dated 25th August 1910.
17. 1st Class Senior Military Sub-Assistant Surgeon Fazl Ilahi, Indian Subordinate Medical Department, *vice* 1st Class Senior Military Sub-Assistant Surgeon Hukam-chand, *Bahadur*, Indian Subordinate Medical Department, promoted. Dated 7th August 1910.

No. 3.—The Governor-General in Council has much pleasure in announcing that the Right Hon'ble the Secretary of State for India has sanctioned an increase of two First Class and five Second Class appointments in the establishment of the Order of British India for Imperial Service Troops. The establishment will accordingly now consist of twelve First Class and twenty-five Second Class appointments.

No. 4.—With reference to Notification No. 3, the Governor-General in Council is pleased to sanction the following promotion in, and appointments to, the Order of British India among Indian Officers of the Imperial Service Troops:—

To the 1st Class, with the title of "Sardar Bahadur".

1. Brigadier-General Sardar Abdul Ghani, *Bahadur*, Inspector-General, Gwalior State Forces.
2. Major-General Nehal Singh, *Sardar Bahadur*, Commanding 2nd Brigade, Kashmir Imperial Service Troops, Gilgit.

To the 2nd Class, with the title of "Bahadur".

1. Lieutenant-Colonel Shripattrao Ingle, Commandant, 4th Gwalior Imperial Service Infantry.
2. Sardar Mohamed Ramzan Khan, Commandant, 2nd Patiala Imperial Service Infantry.
3. Sardar Natha Sing, Commandant, Jind Imperial Service Infantry.

INDIAN DISTINGUISHED SERVICE MEDAL.

No. 5.—His Excellency the Viceroy and Governor-General, in virtue of the authority conferred upon him by the Royal Warrant of the 25th June 1907, is pleased to sanction the award of the Indian Distinguished Service Medal to the following Indian Officers:—

110th Mahratta Light Infantry.

Subadar Khandu Jadhu.

Kurram Militia.

Subadar Akbar Ali.

R. I. SCALLON, Major-General,
Secretary to the Government of India.

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The Gazette of India.

EXTRAORDINARY.

PUBLISHED BY AUTHORITY.

CALCUTTA; WEDNESDAY, MARCH 1, 1911.

GOVERNMENT OF INDIA.
LEGISLATIVE DEPARTMENT.

The following Bill was introduced in the Council of the Governor General of India for the purpose of making Laws and Regulations on the 1st March 1911:—

NO. 2 of 1911.

A Bill further to amend the Indian Tariff Act, 1894.

WHEREAS it is expedient further to amend the Indian Tariff Act, 1894; It is hereby enacted as follows:—

1. This Act may be called the Indian Tariff Short title. (Amendment) Act, 1911.

2. For item No. 5 of Schedule III to the Amendment of Indian Tariff Act, 1894, VIII of 1894, Schedule III, Act VIII, as amended by the Indian Tariff (Amendment) Act, VIII of 1910, 1910, the following shall be substituted, namely:—

		R. a.
" 5	Tobacco—	
	Unmanufactured . . . pound	1 0
	Cigars . . . "	1 10
	Cigarettes weighing less thousand than 3 lbs. per thousand.	3 2
	Cigarettes weighing 3 lbs. or more per thousand.	1 4
	Manufactured, other sorts ,	1 2"

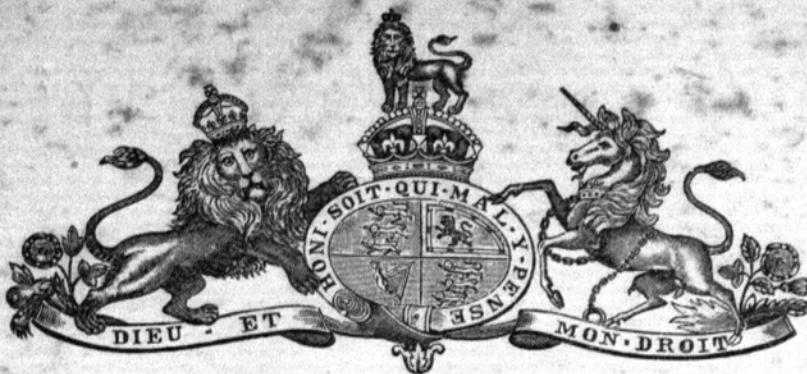
STATEMENT OF OBJECTS AND REASONS.

THE new duties which were imposed upon tobacco a year ago have not realized the revenue which was expected from them, and it is considered probable that a somewhat lower range of duties would be more productive. The Bill accordingly provides for a reduction, by about one-third all round, in the existing rates upon tobacco of all classes.

G. FLEETWOOD WILSON.

The 1st March 1911.

J. M. MACPHERSON,
Secretary to the Government of India.



The Gazette of India.

EXTRAORDINARY.

PUBLISHED BY AUTHORITY.

CALCUTTA; WEDNESDAY, MARCH 1, 1911.

GOVERNMENT OF INDIA.
FINANCE DEPARTMENT.

SPEECH OF THE HONOURABLE FINANCE MEMBER
INTRODUCING THE FINANCIAL STATEMENT
FOR 1911-1912.

Speech of the Honourable Finance Member

INTRODUCING THE FINANCIAL STATEMENT FOR 1911-1912.

Introductory.

I rise to present to the Council the Financial Statement for 1911-12. It has been prepared in the same form, and the procedure and facilities for discussing it will be in all essentials the same as they were a year ago. There is to be no debate to-day; but the detailed examination of the figures and the discussion of any resolutions that may be moved regarding them will begin on Tuesday, the 7th March, and to this stage of the work will be devoted such part of next week as may be necessary for its completion. I shall then withdraw the Financial Statement for whatever amendments our later information may suggest or the discussions in Council may necessitate. About a fortnight later—the 24th being the date which I understand Your Lordship intends to fix—I shall present the Budget in its final form, with all these amendments incorporated in it: and the usual winding-up debate will open on the following Monday.

2. The statement which I present to-day is a much more cheerful statement than that which I had to lay before the Council a year ago. We were then on the threshold of what we hoped would be, in its trade and its agriculture, a year of normal prosperity: but two factors of a wholly exceptional character threatened to disturb the equilibrium on which we should otherwise have counted. On the one hand, the export of our opium to China was to be materially reduced; and, even if prices were to rise—as experts assured us they would—the result would only be a transient benefit which prudence forbade us to use for our ordinary and recurring needs. On the other hand, we had to provide an adequate financial equipment for the new province of Eastern Bengal and Assam, where the administration, starved at many points in the past, had recently been carried on with the help of doles from our surpluses or overdrafts on our general balances. The net result was that I found myself unable to equate the revenue and expenditure in our estimates for the current year without the help of extra taxation; and legislation was accordingly proposed, and accepted by this Council, for increasing certain stamp duties and for raising the customs tariff on silver, petroleum, tobacco, wine, beer and spirits. Standing as we now do in the last month of the year, we can see that the position has become more favourable than I then anticipated. The revenue has been in many respects better than the average, and our expenditure has been kept well in hand; so that the year closes far more favourably than I had anticipated. I must, however, warn the Council that we cannot now dispense with the additional strength which these new taxes have brought to our resources. In view of all that lies before us, the time, in my judgment, is not distant when the Government of India will require the substantial support from the broader basis of taxation which our new duties have provided. It is not our intention therefore to alter the Customs tariff again as a budget measure for the coming year, except by a small correction in our scale of tobacco duties which I shall have to propose in the hope of improving the yield of revenue from that particular source.

Revised Estimate of 1910-1911.

3. With these preliminary remarks, I proceed to compare the budget provisions for the current year with the actual figures which we now expect will be realized. My estimate for the year was framed, as I explained at the time, on the belief that, if the monsoon rains were adequate, the land revenue would be punctually collected, our customs receipts would rise, our railways would do well, although renewals and repairs might still be heavy, and most of our other heads of revenue would show an improvement. The result has not disappointed us. The rains, and the great agricultural operations which so vitally depend upon them, have been on the whole most satisfactory. The timely and well distributed winter rainfall had brought fine crops to harvest in the spring of 1910. When the hot weather came on, conditions were normal, and the Bombay monsoon started on due date and spread with much vigour: so that the area affected by

it was never in danger. Some anxiety, however, was caused by the behaviour of the Bay of Bengal current, which advanced into India much before its usual time, and then displayed considerable weakness. In the result, the rain in July was about 16 per cent. short of what it should have been, and the falls were extremely unequal. The deficiency was serious in the United Provinces, which obtained less than two-thirds of their proper supply, in Rajputana, the western portion of the Central Provinces, Malabar and Lower Burma. In other parts of India, particularly Madras, the average was exceeded, and at places the falls were abnormally heavy. Matters for a time were critical. From the United Provinces, in the middle of July, came reports that the crops were withering, sowings retarded, rain urgently needed, and anxiety prevailing over large areas. If bountiful rain had not fallen within the next few weeks, I should have had a very different story to tell the Council to-day. In August, however, normal conditions again asserted themselves, and for the rest of the monsoon period the rain was ample and well distributed. The record of the recent winter showers has been generally satisfactory.

4. In the narrative of our harvests we find these favourable conditions reflected. The spring crops which were coming to market at the beginning of the financial year were excellent: wheat yielding an outturn of 15 per cent. above the average, and oilseeds doing fully as well. Into the controversy about the jute crop I am not sufficiently daring to enter: but in most of the jute districts conditions were seasonable, and the departmental estimate was 90 per cent. of a normal outturn. Cotton was grown on a very large area; and although it suffered from the later rains, the yield was not far short of what had been obtained in the previous year. Rice in Bengal was affected by floods: but the Burma crop has been excellent, and it is estimated that 45 million cwts. of cleaned rice will be available for export. With the crops now in the ground, so far as our information goes, all is well; the area under wheat and seeds being unusually high and their condition generally good. All this has meant a year of reasonable comfort for the agricultural population; and though plague unhappily has not yet left us, public health has been good, and the spirit of the people has not been shaken by scarcity or other widespread calamity.

Turn now to our external trade, in the success of which our harvests play so large a part. During the first nine months of the year, *i.e.*, up to the end of last December, the total value of our imports and exports on private account was 272 crores, a higher figure than they had ever reached in the same period of any previous year. I do not wish to make this prove too much, as the figures are for values, not volumes, and are thus affected by the high prices which prevailed, for example, for cotton and opium. There was also some stagnation in two of our important industries; but on the whole the figures show a decided revival in our general commerce. The large imports of gold and the heavy Council drawings at a strong exchange tell the same tale.

5. Such being the conditions of the year which is approaching a close, their effect would naturally be an improvement upon the cautious estimate of revenue and expenditure which was presented to the Council in the Budget of last March. The measure of this improvement is that our Imperial surplus now seems likely to rise to £3,489,300. The increase, however, must be discriminated into that which is stable or normal, and that which is abnormal or transient. Our revenue has been increased roundly by £2,940,000 on account of the remarkably high prices for which our Bengal opium has sold; and of this amount two-thirds (or nearly 2 millions) have passed into our surplus under an arrangement which I shall subsequently explain. The true improvement in our surplus is thus about £1,150,000, due to better receipts under the great majority of our ordinary heads of revenue, and a small saving on our budget of expenditure.

Opium Revenue.

6. It would be impossible to make the financial position clear without an account of our opium revenue in the current year, and of the events by which it has been influenced. The general situation at the beginning of 1910 was comparatively simple. We were then entering upon the third year, and the end of the first stage, of our agreement with China for the reduction of our opium exports. Under that agreement, our Bengal sales and Malwa exports combined were to be kept down to 51,700 chests during the calendar year 1910. Further reductions at the rate of 5,100 chests a year were to be contingent on China giving evidence of having concurrently diminished her own production of opium; and the question of raising the consolidated duty upon the import of opium into China remained in suspense pending the receipt of certain assurances for which we had asked the Chinese Government. The prospect of a falling supply had begun to agitate the market towards the end of 1909, and prices rose rapidly to a very high level in last

April. But a sharp reaction followed. We had known for some time that the Chinese authorities were attached to the idea of a heavy license duty, as one of the measures for the control and check of consumption. In May last, the idea came to fruition ; and with effect from the 7th June 1910, the Viceroy of Canton imposed a tax of 30 cents per tael on all boiled opium (equivalent to about R400 a chest on our export opium), with a supplementary provision that raw opium bought from importers should be boiled within a fixed time—which was originally put at three days—after its purchase. Several of the more objectionable features of the scheme were modified as the result of diplomatic action : but the tax remains and has recently been raised to about R640 a chest, and the Chinese Government has not yet been induced to admit that it contravenes the spirit of the Chefoo Convention. It would be inexpedient for me at present to say more on this delicate subject. Technicalities apart, the main principle to which His Majesty's Government have adhered throughout the discussions on the Canton tax is that the regulations of the provincial authorities in China must not substantially and obviously abrogate the existing rights of British traders, or discriminate between native and foreign opium to the prejudice of the latter.

7. I referred a moment ago to the obligation which lies upon China to reduce her own cultivation of the poppy *pari passu* with our reduction of our exports. To produce statistical evidence of her diminished production, was admitted by the Chinese delegates at the Shanghai Commission to be impossible. It was therefore decided that local enquiries should be undertaken, as a basis for a comparative record of the growth of the poppy in the different provinces. For this purpose, Sir Alexander Hosie, the experienced commercial attaché to the British Legation, was appointed to tour through China and estimate the progress which she has made in her reforms. The area to be covered is enormous ; and pending the completion of the enquiry we have agreed to carry on the reduction in our exports to the end of 1911 ; so that in the present calendar year we intend to sell 31,440 chests of Bengal opium and to permit the export of 15,160 chests of Malwa. What will happen after 1911, depends on the agreement which is now being negotiated at Pekin. Regarding the pending negotiations I am obviously not in a position to make any announcement. I can only ask the Council to believe two things. One is that we have great sympathy with the desire of those genuine patriots in China who are striving to free their country from the evils of excess in opium, and that we are prepared to make real sacrifices to help them. The other is that vigilance must go hand in hand with our sympathy. We cannot consent that India should suffer losses which will bring no corresponding benefit to the cause of China's reforms ; and we shall safeguard the legitimate interests of our trade so long as the trade remains.

8. There is one point at which we have in some measure anticipated the result of the Pekin negotiations, and I am glad to have this opportunity of explaining it in detail. When our first agreement was made with China in 1908, it was based on the fact that the consignments of our opium to China before that year had averaged 51,000 chests, while 16,000 chests had been our average supply to Singapore and other markets outside China. Two courses were open to the Chinese Government in getting these figures reduced. They could either, with the consent of all the Treaty Powers, restrict their imports : or they could arrange with us, at once and without any other intervention, that we should restrict our exports. China deliberately accepted the latter course, and we have scrupulously adhered to a reduction of 5,100 chests every year, being one-tenth of the average of our China shipments in previous years. China, however, has found that her imports have not been falling in the same ratio, mainly because the high prices which her people are now prepared to pay for our opium are attracting supplies which would otherwise have been consumed in Singapore and elsewhere. His Majesty's Government were accordingly approached by China with a request that we should help her to make the reduction in her imports as effective as the reduction in our exports ; in other words, that we should co-operate in preventing any part of the 16,000 chests which used to go to Singapore and elsewhere from finding its way into China. It is obvious of course that nothing would conclusively effect this purpose except a definite restriction at the ports in China which are open to foreign trade : and this in turn would require not only an agreement with Great Britain, as representing India, but the concurrence of the other Treaty Powers. To secure their consent will take time : and due notice will also have to be given to the trade before a change of such importance can be enforced. In the meanwhile, however, we have begun to sell and export under special certificates the precise number of chests which, if the proposal is confirmed, will be the purely China supply. I wish it to be very clearly understood that this 'earmarking'—as it is called—has

been decided upon as a spontaneous proof of our good-will towards China and our desire to help her. We were under no obligation whatsoever to undertake it in the absence of the renewed agreement which is now being negotiated, and, if a satisfactory agreement is not concluded, we are under no obligation whatsoever to continue it.

9. It now remains to show how the events of the year have re-acted upon our opium revenue. In February and March of 1910, in response to the excitement in the China markets, our Bengal opium sold for prices which I described at the time as unprecedented for half a century. But even these faded into comparative insignificance before the price of R3,827 a chest which was reached in April last. The Chinese connoisseurs were supposed to be ready to pay fanciful prices for a drug which was every year becoming a less attainable luxury. In May came the news of the license tax at Canton : a large quantity of the Indian opium goes into the Kwang provinces : and the price at our July sale dropped to the neighbourhood of R2,000 a chest. As the position cleared and the harsher features of the Canton monopoly were withdrawn, the market slowly improved again, and the sales of last month (all being 'earmarked' opium) fetched R3,439 a chest. The net result of these striking fluctuations is that we now estimate for an average rate of R2,925 on the year as a whole. Compared with the budget figure of R1,750 a chest, this gives us a very large surplus revenue ; and I have next to tell the Council how we propose to employ the windfall. Revenue which is so wholly exceptional in character and amount is clearly not revenue which may properly be put into our general resources to meet our permanent and recurring expenditure. Our first care therefore, when prices began to move, was to prepare an estimate of what would be our normal receipts, year by year, on the basis of normal prices and on the assumption that the cumulative restriction on our exports to China will continue. On these data we have carefully worked out a scale of diminishing revenue ; and we have decided, with the full approval of the Secretary of State, that the whole amount by which, in any year, the actual receipts may exceed our hypothetical or standard figure will be kept apart from our ordinary revenues. It will not be funded : but it will be employed in each year on services for which the ordinary revenue of the year would not usually be available. We believe that this is the only prudent course to pursue, and we are confident that it will have the approval of the Council, as it was foreshadowed more than once in the course of the Budget debates last year.

10. Under the scheme which I have now outlined, our standard figure for the current year is 7 crores of rupees. Our estimated receipts being 11·4164 crores, we have thus to dispose of 4·4164 crores or £2,944.300 in some special manner. What we mean to do is to remit two-thirds of the excess to England, for the discharge of temporary debt. There is clearly no purpose to which a sudden influx of non-recurring revenue can more appropriately be devoted than to reducing our capital liabilities, easing our interest charges, and strengthening our national credit. I need hardly remind the Council that as a consequence of our serious losses of revenue in 1908-09, we were unhappily obliged to increase our floating debt ; and it is extremely desirable to take the earliest opportunity of redeeming, either directly or indirectly, the temporary obligations which we then incurred. The remaining one-third of our windfall will be distributed in the form of grants for the initial or capital expenditure on large schemes of educational and sanitary progress. In pursuance of this policy we propose to make the following grants to the different provinces :—

PROVINCE.	FOR CAPITAL EXPENDITURE ON	
	Education.	Sanitation.
Central Provinces	£ 26,700	£ 13,300
Burma	53,300	46,700
Eastern Bengal and Assam	74,500	60,000
Bengal	163,300	66,700
United Provinces	106,100	70,000
Punjab	60,000	66,700
Madras	43,800	28,300
Bombay	73,500	28,300
TOTAL	601,200	380,000

Those Local Governments which have provincial settlements will carry the money in their balances until its expenditure is required on schemes sanctioned by proper authority. I will leave it to my Honourable Colleague in charge of the Education Department to explain the principles upon which these allotments have been made.

Ordinary Revenue.

11. The ground has now been cleared of the opium receipts and of the effect which they have had in inflating our surplus. For all other heads of revenue, our budget estimate was £70,803,800. We now hope to realize £72,297,300; and to this improvement three groups of revenue-producing services have contributed. The first group consists of those heads of revenue which respond directly to good harvests and agricultural prosperity:—Land Revenue and Irrigation, with a betterness of £26,500 over the budget; Excise, where the yield has risen by £133,400; and Stamps, where it is better by £71,500. Second comes the group of services which are connected more immediately with trade and whose earnings rise with the revival of commercial activity. Chief among these is Railways, which I believe will be better than the budget by £1,176,100 net; then follow Customs, £478,700 better; Posts and Telegraphs £80,200 better, and Forests £58,600 better. The third group comprises what I may call the financial services, which move in sympathy with the other groups. I refer to Interest, £303,600 higher than our original estimate; Exchange, £62,600; and Mint, £46,400 in the same direction.

12. Such has been the general trend of the year's revenue as a whole. But in this Council it is the Imperial surplus with which we are chiefly concerned; and I propose now, dropping all minor corrections in our estimates, to describe the chief outstanding features in that surplus. Broadly speaking, the great improvement which it shows has been the resultant of four large variations in our figures:—Railways, Customs and Interest have turned out very much better than the Budget; Salt considerably worse. It is on these four heads alone that I shall dwell for a moment.

13. Our Railways have again assumed their pride of place as the dominant factor in our ordinary finances. I had budgeted, with no small hesitation, for gross receipts of $29\frac{3}{4}$ millions from State railways,—a higher figure than we had ever realized before and nearly a million in excess of the very large earnings of the previous year. Business, however, has steadily improved upon our forecast. The movement of cotton and oilseeds has been especially active; and a notable feature of the year is the great increase in coaching traffic, attributed in part to the marriages and pilgrimages of an auspicious and prosperous year. Along with all this, there has been a gratifying fall in working expenses, indicative, I hope, of the closer control now exercised by the Railway Board over that campaign of special renewals and repairs which helped to embarrass our finances two years ago. The year will close with gross receipts not far short of £800,000 in excess of what I anticipated, while the saving in working expenses has exceeded £400,000.

14. As a reflex of our external commerce, the Customs receipts have been equally satisfactory. I had estimated them at roughly 6 millions, including very nearly 1 million as the result of our new taxation. They will actually be at least $6\frac{1}{2}$ millions; the rise occurring chiefly under sugar, piece-goods, metals and manufactured articles generally. The new taxes have given us fully the million which we counted upon. Our estimate was approximately correct for beer, wines, spirits and petroleum: but we had not made sufficient allowance for the effect of the new tobacco duties upon the import of the cheapest cigarettes. Any shortage on this account, however, has been more than covered by the increase in receipts from silver. We had put the probable income from the four anna silver duty at a crore of rupees; this was essentially a cautious estimate, because other considerations were involved than the rise in duty, about which in itself we were never nervous. But all has gone well, and our realized revenue will probably be about $1\frac{2}{3}$ crores. It is to me a genuine pleasure that a tax about which some of my Hon'ble friends expressed the gloomiest apprehensions last year has worked so smoothly, has caused no hardship to anyone, and has established itself as a powerful yet inoffensive auxiliary to our general resources. It has not depressed the price of silver, or turned the China exchanges against us, or had—so far as I am aware—any of the other ill-effects which were feared. There have been some remarkable ups and downs in the silver market during the year: but no one who knows the facts—and I have reason to believe that

the facts are tolerably well known in Bombay—will attribute them in any way to our taxation.

15. The third big lump increase in our revenue is an improvement of more than a quarter of a million under Interest. For this we are mainly indebted to the skilful handling by the Secretary of State in Council of the ample cash balances which we have been able to hold during the year in London, pending their employment on capital outlay and the redemption of temporary debt.

16. Our Salt revenue provides the last of the four large departures from our estimates, inasmuch as it is shown at £232,100 below the budget figure. This is in part, however, a postponement of revenue and not a real loss. The increase in the consumption of salt, it is true, has been curiously slow since our last remission of duty, and has disappointed those who maintained that the use of salt by the people would be greatly stimulated by low duties. In the current year, there has even been a slight drop, though not enough in ordinary course to have seriously affected our revenue. The reason why the latter has declined so appreciably is that the trade in Bengal has at last discovered the capabilities of its new privilege of clearing salt on credit. Under this system, we shall probably have duty outstanding on over 2 millions of maunds at the end of the year in Bengal alone, and our current revenue is to that extent reduced by a carry-forward to next year.

17. The combined effect of these four large changes in our figures has been an improvement of £1,726,300 in the revenue. A number of other heads of revenue have given me smaller contributions which would have brought the total for the year to nearly two millions better than we had anticipated. Part of this, however, has been absorbed by a large reduction in our Imperial share of the Land Revenue (including the portion of it which is credited under Irrigation). It is by waiving our rightful proportion of the income from this source that we make the provincial exchequers participants in our good fortune; and on the present occasion we are in the happy position of being able to provide funds for a number of important projects which, a year ago, I saw very little chance of being able to help. The chief grants which we propose to allot out of the surplus in our normal revenues are the following:—

£166,700 to Burma, to enable that province to make its promised contribution of 25 lakhs to the Rangoon harbour without impoverishing the allotments for much needed improvements in its other public works.

£183,600 to Eastern Bengal and Assam for the initial expenditure on two large schemes for the re-organization of its subordinate police generally, and for the establishment of an efficient river police in particular.

£66,700 to the Punjab as a contribution to the Medical College and Hospital at Lahore, which are intended to be the provincial memorial to His late Majesty King Edward VII.

£123,300 to Madras under an old-standing promise that we should assist in the initial expenditure (now estimated at roughly £250,000) on the Meyer scheme for the re-arrangement of a number of unwieldy districts and subdivisions in that province.

£333,300 to Bombay, as a subsidy towards the great work in Bombay City upon which its Improvement Trust is now engaged.

18. A full list of our proposed new grants is given in the explanatory memorandum attached to the estimates; but I have indicated the more important, and I am confident that the distribution will have the Council's approval. We have endeavoured to select projects of the clearest public utility which would have claims upon us for assistance sooner or later,—claims which we should gain nothing by postponing, as they might only fall upon us when we were less able to do them justice. These grants are all non-recurring, and it will of course be understood that they are quite independent of the allotments which we have made from our opium receipts.

Expenditure.

19. On this side of the account I have fortunately an uneventful tale to tell. Our Budget estimate of expenditure was £75,700,600; we now expect the actual outlay to be £75,227,600 or £473,000 less. About three-fourths of the saving occurs in provincial expenditure, and is a welcome sign of the co-operation which we have been receiving from local Governments in our task of checking the growth of expenditure. The saving on the Imperial budget grants is £123,100.

Under Military services, a considerable reduction ($\text{£}223,500$) has been effected partly in India and partly in England; and the main reasons underlying it are the fall in the prices of food and forage, smaller purchases of ordnance and other stores, and the economical management of our operations for the suppression of the arms traffic in the Persian Gulf. In the Railway revenue account there has been a saving of $\text{£}217,600$ mainly under interest charges; the result, on one side, of smaller capital expenditure than we had provided for and, on the other, of smaller borrowings by two of the leading Companies. Telegraphs show a lapse of $\text{£}51,500$. The budget grant for Stationery and Printing—a subject which attracted special attention in Council last year—has not been spent by $\text{£}35,700$; and the efforts which have been made to eliminate avoidable outlay under this head seem now to be bearing tangible fruit.

20. With two exceptions—and one of these is largely nominal—there have been no excesses of any importance over our budget figures. The only service for which our provision really ran short was the payment to our opium cultivators. Owing to the propitious character of the seasons, the last poppy crop yielded opium of an unusually fine consistence, and the price that had to be paid for it was consequently higher than the normal rate on which we had based our estimate. Under Opium expenditure therefore an additional grant of $\text{£}153,200$ has been necessary. The only other substantial excess occurs under Political, and is chiefly due to our having charged off and transferred from ordinary balances to a separate account the whole of the arrears of the subsidy due to His Majesty the Amir, with a view to preventing in future the disturbance of estimates and accounts which at present follows from the wide and wholly unforeseen fluctuations in his actual drawings.

Budget Estimate for 1911-1912.

21. My Lord, I now turn over the leaf of another year. In laying out our financial plan of campaign for the coming twelve months, my first thought has naturally been, how far may we safely count upon a continuance of existing conditions. Is it reasonable to assume that the rains will again be timely, and the harvests fruitful; that industry and trade will extend their borders; that our international commerce will continue to develop; that the money market will be steady; and that famine, plague and war will pass by our doors? Or have we reason to fear the reverse and to temper our estimates accordingly? I confess that, in Indian budgeting, the only reasonable rule of conduct that I can see is to assume that a period of prosperity, once it is established, will continue until we have some clear warning of impending change. So far as we can scan the horizon, there is no danger signal in sight at present; and I am accordingly placing estimates before the Council which are based on the hypothesis of normal harvests, a good export season, and steady progress in our trade and industries. The resultant figures, in their simplest form, are as follows:—

Revenue	.	.	.	.	.	$\text{£}77,927,600$
Expenditure (after Provincial adjustments)						$\text{£}77,183,800$
Surplus	{	Ordinary	.	.	.	$\text{£}563,400$
		{ Special, from Opium	.	.	.	$\text{£}180,400$

The " Ordinary " surplus is somewhat smaller than it is our tradition to aim at; but a part of the spare revenue which would otherwise have been at our disposal has been set aside for the reception of Their Majesties in India and for the cost of the Durbar which the King-Emperor intends to hold at Delhi.

Revenue.

22. If we take our revenue figures as a whole, omitting Opium for the moment, it will be seen that we anticipate a moderate all-round advance in the classes of receipts which are directly affected by the agricultural conditions of the country. Land revenue, Salt, Excise and Irrigation all display a slight improvement over the year before; Stamps alone showing a fall, which is wholly due to the abnormal revenue that accrued this year in certain provinces from the operation of section 31 of our new Limitation Act. Our commercial departments—Railways, Posts and Telegraphs—reflect the same movement in moderation; a part of their increase being also due to the additional business which they expect from the Royal visit. I need not, however, trouble the

Council with any details except in so far as they influence the Imperial section of the account. In describing the Imperial figures, both for revenue and for expenditure, I find considerable difficulty in separating the normal movements of the figures from the complicated provincial adjustments which I shall allude to shortly; and rather than weary the Council with minute reservations, I must for once sacrifice in a few of the following passages the statistical precision which has always been the pride of these annual Statements.

23. Our total Imperial revenue is shown as being considerably below the figure which we expect in 1910-11. The decrease occurs, as you at once detect, under Opium; and I had better begin my narrative by disposing of that restless and baffling head of revenue. The difficulties of framing a satisfactory estimate for it have been extraordinary. As I explained a few minutes ago, we have promised to restrict our sales and exports in 1911 to 46,600 chests. Out of these, presumably the whole Bombay export of 15,160 chests, along with 15,440 chests of the Bengal sales, will be certified for the China market; leaving 16,000 chests for our other customers. Most of the Malwa opium has already paid its pass-duty in advance, so that for revenue purposes it is negligible. The prices which our Bengal sales for China may yield, will depend very largely on the terms of our new agreement, on any alteration in the import duties, and on any domestic measures which China may adopt for the control and taxation of the retail use of the drug. The revenue to be obtained from our sales for other markets, or what I may call for short our 'Singapore' opium, is an entirely unknown quantity, as we have never before sold opium under the peculiar conditions which are now being imposed. The factors of calculation for the remaining nine months of 1911 are thus sufficiently puzzling; but the uncertainties become still greater when we turn to the last three months of the financial year which overflow into 1912. For we have no means of judging what our prices or our exports may be in 1912. We have to await the results of Sir Alexander Hosie's inquiry and of the negotiations now in progress at Pekin. We have also to introduce, some time during the year, a new system of selecting the opium which it will be permissible to export from Bombay; the effect of the change upon our revenue is problematical, and the date of its introduction is not yet decided. This statement of the problem will indicate the difficulty of estimating. Making the best forecast we can, however, we put the probable sales of Bengal opium at 30,210 chests for the financial year, of which 10,210 will be certified for China; and we take the probable average prices at R2,500 a chest for China opium and R1,500 for Singapore opium. We also estimate that 5,338 chests of Malwa opium, which have a deferred right to priority of export in 1912, will pay us pass-duty of R800 a chest; while it is possible that 600 chests of Baroda opium will issue at the old rate of duty. Our total Opium revenue, including the usual miscellaneous items, will thus be 642 lakhs. Under the scheme of diminishing returns which I have already mentioned, we shall treat only 615 lakhs or £4,100,000 as ordinary current revenue, and whatever excess over that figure may be actually realised will be earmarked for capital and non-recurring expenditure. It is for this reason that I showed £180,400 of our budget surplus as special and separate. I hope the figure will be larger; but, so long as there is a figure at all, it will not affect our normal provision for the year.

24. Apart from the Opium receipts, the increase in our Imperial revenue would nominally be £1,431,900. But it must be remembered that, as compared with the current year's figures, our share of the Land Revenue is improved by the absence of the special non-recurring grants which we are making to provinces in 1910-1911. Furthermore a number of the heads of revenue have been upset by the new provincial adjustments; and, all things considered, I do not think I can give a closer approximation than to say that the true measure of the expected improvement in revenue is roughly £300,000. Apart from a moderate general rise in Excise and Land Revenue, due to promising agricultural conditions, this may be taken broadly as made up of an increase of £157,900 under Railways, of £179,400 under Posts and Telegraphs, of £128,800 under Salt, and of a number of minor improvements counterbalanced by a decline of £303,000 in Customs and £228,900 under Interest. It is to these heads that I shall confine the few remarks that I have to make.

25. In our estimate of Railway earnings we have moved with what seems justifiable caution. If 1911-12 is even a moderately good year, there ought to be no serious set back. Wheat may be held up by the lower prices which are foreshadowed; and it is possible that the cotton crop may not be so plentiful as it has been this year; but the movement of jute can hardly be worse and some revival in piece-goods seems

probable. Our estimates are easily upset by the fluctuations of a single great system like the North-Western Railway. But on the whole there seems no good reason why we should not secure roughly the same net receipts as in the current year, with a small addition for the Durbar traffic and the increase in open mileage. I have accepted the figure for working expenses which the Railway Board assures us is necessary to carry the extra traffic and keep the lines efficient; and for gross profits I have made a comparatively small and fairly evenly distributed addition to the probable figure of the current year. The resulting rise in net receipts is only £73,400, which I think is safe. The rest of the improvement under Railways means smaller payments of surplus profits, etc.

26. For Salt we have been conservative in estimating the actual consumption, but there is unlikely to be the same increase in sales on credit in Bengal as overtook us this year. Postal and Telegraph receipts promise the usual improvement which accompanies trade activity. The Miscellaneous head of revenue benefits by £54,700 which the Calcutta Port Commissioners are going to pay us in April for certain Mint lands; and there are a number of smaller increases which it would be tedious to enumerate.

27. The only important defaulters, as I have said, are Interest and Customs. The former has been put lower in the expectation that our cash balances in London will not be so fruitful in short loans, as large payments will be required on capital account and in redemption of debt. Under Customs the decline occurs wholly in the yield of the silver duty, and represents nothing more than pure and simple caution. There is no apparent reason why prices should go up so long as China is a backward buyer; and the private imports of the current year, though we have heard a great deal about them, are by no means so high as they were even in the two previous years. Nevertheless they are believed to have been in excess of the immediate requirements of the local market, and it is understood that considerable stocks are available for next year's normal off-take. After the activity in our absorption since 1908, therefore, it seems wise to budget for a lull, and we have put our estimate of duty down to a crore of rupees. Under all the other classes of imported goods we assume a steady improvement; but I have been chary of raising the rice duties above the high record of the current year.

28. In discussing the yield of the new taxes which were imposed last year, I mentioned that we had been disappointed in our estimate for tobacco. The sudden rise in duties dislocated the import trade for a time, though it is possible that business would gradually have adapted itself to the new conditions. But we— are informed that the rates which we selected have hit severely those particular forms of the tobacco industry in India which depend on an admixture of the foreign with the indigenous leaf. We are also doubtful whether our experiment has given us rates which are likely to combine the maximum of revenue with the minimum of hardship. It has been decided therefore to propose a reduction in the duties of about one-third all round, and a Bill to give effect to this change will be introduced to-day. On the assumption that it will become law, I have raised the yield of our tobacco duties by about 5 lakhs in the Budget.

29. Such then are the outstanding differences between the revenue we expect next year and that which we are collecting this year; but any one who runs his eye down the figured tables will see a number of other heads under which the Imperial share seems to have been largely increased or diminished. This is a result of the important readjustment of our provincial settlements to which I have already alluded. It accounts for a large nominal reduction under Excise and Forests and a small nominal drop under Irrigation; with a *per contra*, though not an equivalent, adjustment of the Land Revenue which gives the Imperial account a larger and the Provincial accounts a smaller share of those receipts than formerly. On the other hand the provinces have benefited by the following grants, which have been handed over to them in the shape of a recurring increase in their share of the Land Revenue, *viz.* :—

£58,000 to the Central Provinces, the United Provinces and Bombay, for the completion of the grants which we promised in aid of the Police Commission's reforms:

£20,000 to Eastern Bengal and Assam, as an instalment of the recurring cost of the two police schemes already mentioned; and

£59,000 for the relief of municipalities and town areas from police charges in the United Provinces, and the Punjab; these being the only provinces where this concession has not yet been granted.

Details of two other small grants will be found in the explanatory memorandum.

Expenditure.

30. Our total proposed expenditure in 1911-12 is composed of £51,024,600 in the Imperial and £27,615,600 in the Provincial account. It is in the former figure alone that we are directly interested. As compared with our estimate of Imperial expenditure in the current year, it is ostensibly £846,900 higher; the true increase is obscured, however, by the provincial adjustments which relieve the Imperial account of considerable expenditure—particularly under Forests—that formerly belonged to it. The real rise in Imperial expenditure is approximately £1,400,000; but I may at once ease the mind of the Council by explaining that £940,000 of this is reserved for the Royal visit next December and the ceremonials by which it will be marked. We have not yet found it possible to obtain detailed estimates for the cost of the gathering at Delhi for the Coronation Durbar, or for the military concentration which will accompany it or for a number of the minor episodes in the Royal progress. But we have provisionally entered in the Budget a sum of £633,300 for the civil and of £306,700 for the military expenditure, and I trust that the Council will not consider the figures to be higher than the people of India would wish to provide for the becoming celebration of a great historic event.

31. The net increase in expenditure of the ordinary type is thus roughly £460,000. If we want to estimate the true normal measure of growth for the year, we should in fairness eliminate the effect of the special treatment of the Amir's subsidy in 1910-11. This would raise the figure to about £650,000, the result of a large number of minor and mostly unimportant variations. Railways account for about £265,000, composed entirely of growing interest charges: and Posts and Telegraphs for about £125,000, more than covered by additional revenue from those services. Special interest attaches to a newly opened head of expenditure, which provides £120,000 as funds for protective irrigation works, over and above the amount allotted as usual from the famine insurance grant. The expansion of protective works in the past has been financed from the half million which in normal years is available from the famine grant; and up to the present the funds thus obtained have in practice been sufficient. But the time has now come when the further work which the Irrigation Department are ready to undertake would be hampered by the limitations and the uncertainty of the famine grant. Uncertainty we can never eliminate, I am afraid, as protective irrigation, like any other service which draws on our current revenues, must be prepared to take its share of short commons in bad years. But, when all is going well with us, we hope to be able to help the work from our general resources and supplement the limited provision to which it has hitherto been restricted. For next year accordingly we allot 78 lakhs, of which £400,000 appears in the famine grant and the balance outside it.

Of the other increases in expenditure there are none that call for special mention. Taken as a whole, they are roughly counterbalanced by reductions under two heads, Army and Opium. The total military charges are shown as £181,500 in excess of the current year; but when we remember that the grants include £306,700 for the movement of troops in connection with the Royal visit, it will be seen that we anticipate a genuine net diminution in Army expenditure. The expected saving under Opium is a natural consequence of the curtailment of our Bengal sales: we have amalgamated our two agencies into one, and we shall license a considerably smaller area of poppy cultivation for the next winter.

32. So ends my general narrative of the Budget for 1911-12. The financial outlook for the time is satisfactory. If India is blessed with favourable seasons, the provinces should be in a strong position, and the Imperial exchequer should enjoy a short breathing space before it has to face the new responsibilities that lie ahead of it. In spite of a decline of £566,700 in that part of the Opium revenue which we treat as available for general purposes, and of an estimated drop (on grounds of caution) of £303,000 in our Customs revenue, we look forward to being able to meet all the reasonable needs of the administration without undue parsimony, to provide in no ungenerous fashion for the suitable reception of the King-Emperor, and to close the year with a surplus of fully half a million sterling. I cannot say that the future is free from anxiety. Amid the cheerfulness of returning prosperity, it would be foolish to forget the lessons of the period of depression from which we have now emerged, or to close our eyes to the difficulties that are in front of us. But I trust that those difficulties will be met by a careful husbanding of our resources and by a jealous watchfulness over expenditure in good years and in bad years alike.

Military Services.

33. Under Military Services the expenditure for five years is shown in the following table :—

	GROSS.					NET.
	Army.	Marine.	Military Works.	Special Defences.	Total.	
1907-1908	£ 18,647,533	£ 485,024	£ 1,166,943	£ 116,287	£ 20,415,787	£ 19,248,354
1908-1909	19,177,266	476,957	967,362	29,044	20,650,620	19,602,988
1909-1910	18,901,181	461,157	858,342	28,604	20,249,284	19,112,323
1910-1911 (Budget)	19,488,500	484,300	879,600	1,500	20,853,900	19,706,500
1910-1911 (Revised)	19,225,700	475,500	919,600	9,600	20,630,400	19,456,200
1911-1912 (Budget)	19,444,300	436,300	924,400	6,900	20,811,900	19,563,900

34. When the budget for the current year was under preparation, the rates for food supplies were still at a comparatively high level, and we were faced with the necessity of providing for expenditure to the extent of £173,500 in connection with the Arms Traffic Operations in the Persian Gulf. "Schedule" expenditure was placed at £482,700. By this expression I mean the provision for new schemes costing more than £3,300, a limit which brings within the Schedule all outlay on objects of a special nature such as the introduction of new armament and other major improvements in the direction of efficiency. The net budget figure for 1910-11 was eventually placed at £53,500 more than that of the previous year.

35. Our estimate of the probable actuals of the current year indicates that the provision made was unduly large, and the net military expenditure of 1910-11 is now expected to be £250,300 less than the original budget estimate. Prices dropped at the beginning of the year, and the fall has been progressive. Contract rates have been more effectively controlled, and the extension of military grass farms is relieving us under the head of Compensation charges. We have thus returned to the standard of expenditure on food supplies which obtained in the year 1906-07. Ordnance charges have continued to decline, and the special provision for additional railway charges was only partly utilised. Various economies have also contributed to the anticipated saving, among which I may instance the abolition of 2 pony cart train cadres and of the experimental balloon section, the closing of the mounted infantry schools, and the retention of Army Head Quarters at Simla during the winter months. When reviewing the situation in November we thus found ourselves able to advise the Secretary of State that, to relieve the coming year's budget, a portion of next year's supply of military stores might be purchased at once, and in India we have similarly anticipated future requirements to some extent, as for example, by the purchase of transport animals the cost of which would otherwise have fallen on the estimates of 1911-12.

36. Among the more important measures towards which special funds have been allotted I would mention the purchase of arms, entrenching tools and rifle carrying equipment, the reconstitution of the reserve of artillery horses, and the replacement of aged horses in British Cavalry regiments. Progress has also been made in the construction of a better type of lines for Indian Infantry and additional buildings are being proceeded with at Quetta, Jubbulpore, Ahmednagar and Risalpur to provide for the redistribution of troops.

37. The Arms Traffic Operations which commenced in 1909-10 are now estimated to cost, to the end of the current year, a sum of £224,600 and for next year we have included an allotment of £133,300 for the same object. We are also in the coming year providing £306,700 for Indian military expenditure in connection with His Majesty's visit to India. Among other items in our Schedule of special measures, for which we have allotted £602,000 in the aggregate, I would allude to the provision of £100,000 for the rearmament of a number of Field and Mountain batteries. The Schedule also includes further allotments towards the purchase of rifles and the reconstitution of the artillery reserve and to replace aged animals in the British Cavalry regiments. A substantial advance will also be made in the reconstruction of the Indian Infantry lines which was taken in hand at the end of last year, and in the building of the new lines near Darjeeling and at Dacca.

38. It will be seen that by making partial use of the savings obtained this year in the manner already described we have been able to provide for the exceptional outlay in connection with His Majesty's visit to India, while keeping the military budget substantially below the figure allotted in the estimates of the current year, the actual difference between the net provision for all military services in 1911-12 and that made in 1910-11 being £142,600.

Railways.

39. It has become customary to bring together in this part of the Financial Statement the figures of capital expenditure on railways during the last five years and the similar estimate for 1911-12. I accordingly present the table as usual; it includes all capital outlay, whether incurred by the State or through the agency of guaranteed or assisted Companies.

	1906-1907.	1907-1908.	1908-1909.	1909-1910.	1910-1911 (Revised).	1911-1912 (Budget).
	£	£	£	£	£	£
Open lines including rolling stock . . .	5,948,067	7,328,000	8,532,741	6,532,441	5,724,400	6,357,400
Lines under construction—						
(a) Started in previous years . . .	3,526,066	3,006,800	1,366,200	1,482,962	2,197,000	2,382,600
(b) Started in current year . . .	176,667	...	146,130	369,291	403,700	760,000
	9,650,800	10,334,800	10,045,071	8,384,694	8,325,100	9,500,000

40. On the 31st March 1910, the total length of open lines was 31,614·35 miles classified according to gauge as follows :—

5' 6" gauge	16,340·96
Metre	13,398·54
Special gauges (2' 6" and 2')	1,874·85
TOTAL	31,614·35

During the current year we have added to these approximately the following mileage :—

5' 6" gauge	410·98
Metre	350·45
Special gauges (2' 6" and 2')	162·84
TOTAL	924·27

During the ensuing year it is intended to increase this length by 710·72 miles.

41. In the current year the return on the capital at charge amounts to 4·66 per cent., as compared with 4·48 in 1909-10, 3·69 per cent. in 1908-09 and 4·75 per cent. in 1907-08. The rate of interest which we have taken for the year on the debt chargeable to railways is 3·358 per cent.

The current year has been more favourable than last year and the traffic returns show that there will be a large improvement over the Budget estimates. The improvement is largely due to the acceptance by the railway administrations of the reasonable limitations imposed by budget provision. The grants for working expenses, etc., are likely to be smaller than the Budget estimate by £418,900. If we take the railway revenue account as a whole, and set the interest charges, the annuities and sinking fund payments, and the minor debits (cost of land, etc.), against the net earnings, we find a surplus of £1,954,400 which accrues to general revenues. Last year there was a net gain to the State of £824,900.

42. In the Budget of next year provision has been made for an increase in the gross receipts over the current year in view of the prospects of favourable crops and of

the extra traffic expected in connection with the Coronation Durbar and from the opening of new lines and branches. Provision for working expenses has also been put up a little higher on account of improvements in permanent-way, rolling-stock and bridges. It is expected that the net surplus after providing for interest charges, which show an increase on account of growth of capital, will be £1,849,800.

Irrigation.

43. The financial position of our great Irrigation undertakings may be gathered at a glance from the following table, which carries on and brings up to date the information that it has been customary to give in previous Financial Statements.

	1907-1908.	1908-1909.	1909-1910.	1910-1911, Revised.	1911-1912, Budget.
	£	£	£	£	£
<i>Productive Works.</i>					
Capital outlay to end of year	26,978,016	28,002,898	29,145,119	30,370,637	31,652,994
Direct receipts	2,160,389	2,213,644	2,249,011	2,248,581	2,257,100
Land Revenue due to Irrigation	1,035,088	1,084,773	1,111,158	1,188,300	1,199,367
TOTAL	3,195,477	3,298,417	3,360,169	3,436,881	3,456,467
Working Expenses	981,804	1,011,140	1,065,481	1,085,898	1,062,780
Interest	905,887	930,708	960,829	1,001,851	1,045,170
TOTAL	1,887,691	1,941,848	2,026,310	2,087,749	2,107,950
NET PROFIT	1,307,786	1,356,569	1,333,859	1,349,132	1,348,517
<i>Protective Works.</i>					
Outlay on construction to end of year	2,382,055	2,736,094	3,112,121	3,466,121	3,944,851
Direct receipts	47,625	33,980	58,066	48,919	63,700
Land Revenue due to Irrigation	5,445	6,271	6,230	11,000	11,733
TOTAL	53,070	40,251	64,296	59,919	75,433
Working Expenses	22,205	25,449	28,730	29,702	36,020
Interest	75,025	86,619	97,882	110,449	124,430
TOTAL	97,230	112,068	126,612	140,151	160,450
NET LOSS	44,160	71,817	62,316	80,232	85,017
<i>Minor Works and Navigation.</i>					
Direct receipts	232,045	219,334	235,691	236,300	245,200
Expenditure	838,728	879,339	889,435	907,982	938,143
NET LOSS	606,683	660,005	653,744	671,682	692,943

44. On the 31st March 1910, 55,274 miles of main and branch canals and distributaries had been constructed, commanding nearly 47 million acres of culturable land, the area irrigated in 1909-10 being 21,976,846 acres. The productive works during that year yielded a net return of 7·87 per cent. on the capital outlay of £29 millions after paying all charges exclusive of interest. The net profit to the State was £1,334,000. The revised estimate for 1910-11 shows a net profit of £1,349,000 on productive works and a net return on capital outlay of 7·74 per cent.

45. On the 31st March 1911 we expect to have 55,857 miles of main and branch canals and distributaries constructed to command 49,829,700 acres of culturable land. It is expected that an area of 21 $\frac{1}{4}$ million acres will be irrigated during the year. In addition to the canals in operation, there are altogether 51 projects which are either under construction, awaiting sanction or being examined by the professional advisers of the Government. Of these 22 are productive and 23 protective. They are designed to irrigate 7 million acres, and 2·24 million acres, respectively, at a total capital cost of about 34 and 16 crores, respectively. The former are expected to yield a net return of 7·31 per cent. on the outlay.

46. Although no very important works were sanctioned during the year, a number of schemes of the first magnitude have been under the consideration of the Government of India. Satisfactory progress continues to be made in the construction of the three canals comprised in the Triple canal project in the Punjab. As foreshadowed in last year's financial statement, the original estimate of cost has been seriously exceeded, the excess amounting to R254 lakhs or 32·5 per cent. over the original estimate. This large excess was due in some measure to the want of adequate provision for certain necessary requirements, but principally to a marked change in the economic conditions of the Punjab which raised the labour rate by about 50 per cent. This was due mainly to the great diminution of the population as the result of the ravages of plague, but other causes which affected the labour rate were the absorption of large numbers of the agricultural classes in tracts opened out to cultivation on the lately completed canals, and the keen demand for labour for agricultural operations, railway construction, etc. Mr. Renouf, Director of Agriculture, Punjab, who investigated the subject a year ago, came to the conclusion that the labour rate had doubled in the preceding 20 years, that the greater portion of the advance occurred in the last 10 years, and that the rise was most marked in the last 5 years of that period. The probable years of opening of the three canals are as follows:—

Upper Chenab canal	:	:	:	:	1913-14.
Upper Jhelum canal	:	:	:	:	1914-15.
Lower Bari Doab canal	:	:	:	:	

47. The execution of the Upper Swat canal in the North-West Frontier Province is proceeding satisfactorily. The tunnel through the Malakand range of hills will be about 10,000 feet in length and some 1,430 feet have now been excavated. The drilling is effected by power derived from a hydro-electric installation on the Swat River. Irrigation will probably be commenced on completion of the tunnel on which the average rate of progress is 7 feet a day. The additional storage reservoir at Dhukwan on the Betwa canal, United Provinces, and the Shwebo canal in Burma were finished during the year. Work on the Pahari Dam on the Dhassan river, the Pahuj storage reservoir, both in the United Provinces, and the Môn canal system in Burma is far advanced.

48. The following important projects have been received and are now before the Government of India:—

Province.	Name of project.	Estimated cost (Direct and indirect).	Classification as proposed by local Government.
Madras . . .	Cauvery reservoir project . . .	R 3,85,00,000	
Bombay . . .	Sukkur Barrage . . .	2,19,34,767	
United Provinces . . .	Rohri Left Bank canal . . .	4,49,75,788	
Burma . . .	Ghaggar canal . . .	35,04,454	Productive.
Central Provinces . . .	Twante canal (Navigation canal) . . .	72,80,973	
	Mahanadi canal . . .	99,30,217	
	Weinganga canal . . .	38,03,204	

Of these the Twante canal scheme, which is designed to improve an important trade route in Lower Burma, has been submitted for the sanction of the Secretary of State.

The important scheme for the introduction of perennial irrigation in Sind, of which the Sukkur Barrage will be the pivot, has already been alluded to in previous Financial Statements. The project is now being examined by the Inspector General of Irrigation.

The Cauvery reservoir project contemplates the construction of an immense dam of dimensions not approached in any other similar work in the world. The dam will attain a maximum height of 201 feet and an average height of 113 feet. It will impound sufficient supplies to irrigate an area of 4,73,000 acres, and will bring into existence a vast artificial lake having a water spread of 58 square miles.

Provincial Finance.

49. In the realms of financial administration, by far the most important event of the coming year will be a notable change in the financial relations between the local Governments and the Government of India; and I must now ask the indulgence of the Council while I describe this change in some detail. To an audience like the present, it would be superfluous to explain how the financial powers of the local Governments are based upon what are known as the provincial settlements. Opinions may differ as to whether our settlement system is the ideal method of dividing the public revenues of India between the central government and the administrations of the different provinces. For good or ill, however, the settlement system is with us: it has been developed and improved by long experience; and there cannot now be any question of throwing it over and searching for some alternative means of providing the provincial Governments with the resources which are necessary for the duties entrusted to their care. It is the provincial settlement therefore that we are using as the vehicle for the important reform which I am about to describe.

50. Dating from Lord Mayo's viceroyalty four decades ago, the settlements for many years were quinquennial contracts, and their periodical revision was a fertile cause of friction and improvidence and waste. In 1904 Sir Edward Law succeeded in investing them with greater permanence. They were no longer to be quinquennial; and although the Government of India reserved the power of revision, that power was to be exercised only when a settlement had become unfair to the central government or to other provinces or to the province itself, or when the Imperial Government was faced with the alternative of levying benevolences or increasing taxation. The local Governments were thus to be given a permanent interest in the revenue and expenditure under their control. Their share of the growing revenues was to be somewhat smaller than before; but it was to be so calculated that each province separately, and all the provinces taken together, were to be placed in possession of an amount of growing revenues which should bear the same proportion to the provincial expenditure as the Imperial share of growing revenues bore to the Imperial expenditure. The Government of India, as the final authority in India responsible for its finance and administration, retained the power to alter the settlements, but would use it only in the most exceptional circumstances. The new departure, as Sir Edward Baker said with permissible pride in describing it, was fraught with important and far-reaching consequences. Of these consequences one of the most important, as we can now see, was the impossibility of standing still, the certainty of further development. In a minute which Sir Edward Law recorded at the time, he wrote:—

“I am in full sympathy with the principle of encouraging the financial independence of local Governments. The arrangements now made will tend in the right direction; we are perhaps taking as big a step as is for the moment prudent, but I am convinced that we are still a long way from having attained all our desirable results. The whole question will, I anticipate, come up again in a few years, and we may fairly hope that when it does, another considerable advance will be made towards the desired goal.”

The prophecy has come true; and it is the further step which my predecessor foresaw that we are now taking.

51. A critic of our financial history would find some grounds for questioning the permanency of the status which was conferred on our settlements seven years ago. The new series of *quasi*-permanent settlements was concluded, except for Eastern Bengal and Assam, in 1907; but almost before the work was finished, a complete revision was found necessary for the United Provinces and a substantial

readjustment took place in Madras. Large subsidies had to be made to several provinces; in some cases, it is true, as a sequel of famine, but in others with no such justification. Burma has suffered considerable, though I hope temporary, inconvenience under its new settlement: Bengal has come to the verge of bankruptcy: and even from some of the more fortunate provinces hints have not been wanting that greater Imperial generosity is expected. It would sometimes seem as if permanency were a misnomer, and the contractual liability imposed by the settlements had been forgotten. My own view is that, although the settlement obligations might at times have been more rigorously enforced, this period of trial and transition has been of great value to us. It has enabled us to test the different settlements thoroughly, to find out their weak points, and to estimate the conditions requisite for genuine permanence. When the time came therefore for us to take up the whole question on a review of the Decentralization Commission's report, we were in a position, especially after full consultation with the local Governments, to lay before the Secretary of State, with some confidence, our conclusions as to the defects in the existing settlement system and their appropriate remedies. The Secretary of State has now accepted our recommendations, and I am thus able to place before the Council the general scheme of the new arrangements.

52. The financial settlement with each of the eight major provinces will in future be permanent. Widespread famine, whose periodical visits still defeat all our calculations, will have to be met, when necessary, by special arrangements for the succour of a distressed province from Imperial funds; and on the other hand the Government of India may at times be compelled to call on the provinces for assistance in case of a great war or in a grave financial crisis. Apart from these wholly special emergencies, however, the settlements will be fixed rigid and permanent. How far they will thereby differ from the existing arrangements, may best be described by showing what we mean the permanent settlements to imply in our dealings with provincial finances and budgets.

In the first place, we intend that a province shall not in future budget for a deficit in its current revenue and expenditure, unless it satisfies us that the excess expenditure is due to a wholly exceptional and non-recurring cause and also, if the deficit involves a reduction of the provincial balance below the prescribed minimum, that suitable arrangements will be made for the restoration of the minimum. It will not therefore be permissible for a local Government in future to run through its balances, build up a heavy overdraft on the general balances of India, and then have to be set on its feet again by Imperial benefactions. If for any special and temporary reason a local Government has exhausted its own balances and receives permission to overdraw, it will have to take a short loan from the Imperial exchequer and pay interest on it. If in the last resort a province finds it impossible to keep its growing needs within the resources provided by its settlement, it may have to consider the propriety of raising special provincial taxation. I am far from suggesting that further taxation is a desirable thing: but it may be better for India as a whole that a province should tax itself than that it should live on its neighbours.

53. These are the more restrictive consequences which a permanent financial settlement will carry with it. But the advantages will not all be on one side. The settlements will not debar the provinces from sharing in any surplus which the Government of India may be in a position to distribute in a good year. Moreover the Government of India undertake that, when the fixed assignment of a province under its settlement becomes unduly high, it will ordinarily be converted, in whole or in part, into a share of growing revenue as soon as the state of the Imperial finances permits. Finally we shall no longer consider it necessary to exercise the same minute control over the budgetary arrangements of the provinces as has been the practice in the past. Our intervention and corrections will be confined to the total revenue and expenditure in the local Government's estimates, and the figures of the few major heads in which the Imperial exchequer has a share.

54. Such then will be the characteristics of our settlements in future, and it is on these lines that the responsibility of each local Government for its own finances will be determined. Before starting the settlement system, however, on its new career, we considered it our imperative duty to overhaul the existing settlements thoroughly. This has been a most laborious task. Some of them have been the subject of complaint; and one or two of them have been working under unquestionable difficulties. A systematic review of them all was

demanded, no less in courtesy to the local Governments than by our desire that the new arrangements shall be a success, and by our anxiety to relegate to the past whatever friction and discontent have been generated in our financial relations with the provinces. We have therefore subjected to the closest examination the position of each province and the history and antecedents of its current settlement. Our conclusions may be very briefly stated. In five out of the eight major provinces, the settlements have worked in a manner that indicates no flaws in the general lines upon which they were conceived. In Eastern Bengal and Assam, the settlement is new and almost untried ; but we have no misgivings as to its success. In one province, Burma, there has been much inconvenience due to an over-estimate of its resources, which is now being slowly rectified. In the eighth province, Bengal, a settlement which began under the most favourable auspices has had a gloomy and troubled career. In its earlier days, large balances were eaten up by hasty and imperfectly considered increases in recurring expenditure ; and when the present Lieutenant-Governor sought to apply the methods of ordinary financial caution, his economies were in a great measure defeated by the effects of high prices and the costly campaign against crime.

55. Brief though it necessarily is, this summary indicates that the defects in our present settlements are individual and not universal ; and indeed the only generic fault in the system is the unwieldy size that has been attained by the fixed cash assignments in most of the provinces. To rectify this, to relieve those provinces where the financial position is now unsatisfactory, and to base the permanent settlements on a broad and stable foundation, has been the object of the changes and re-adjustments which are fully narrated in the Financial Secretary's explanatory memorandum.

56. From a purely financial point of view, the immediate effect of these changes is to convert fixed assignments amounting to the imposing figure of $3\frac{1}{2}$ crores a year into growing revenue. In this way the normal annual growth of its resources in each province is brought much closer to the normal ratio of growth in its expenditure than has been possible in the past. It will now be the task of the Local Governments to see that these all-important ratios are kept in steady equilibrium ; for otherwise no settlement devised by the mind of man can save them from ultimate bankruptcy. It is not only by its immediate financial results, however, that the scheme that I have just been describing must be judged. It will also, I trust, be a measure of real decentralization and administrative reform. It will give local Governments a more abiding interest in managing and directing their own resources ; it will greatly reduce the occasions for interference by the central Government ; and it will stimulate provincial independence and self-reliance. To the Government of India also it ought to mean much. It will relieve us from the unforeseen and indeterminate liability to which the Imperial revenues were formerly exposed by the financial difficulties of any individual province. To that extent it frees our hands for the closer regulation of our Imperial expenditure ; and it enables us to lay down the lines of a consistent financial policy for the future. It marks a forward stage in the development of a political theory which has been steadily pursued for the last forty years. But it implies something more than theory ; for I believe that the new arrangements will be found to be liberal by the provinces ; and I regard them as necessary in justice to ourselves and to the general taxpayer of India.

Ways and Means.

57. In last year's Financial Statement I described the constitution of our cash balances and the work that is thrown upon them. I need not repeat it all to-day. It was also explained that, apart from the ordinary domestic treasury business of the year, our chief transactions during 1910-11 were expected to be, that we should raise a loan of $1\frac{1}{2}$ crores in India and remit £15,500,000 to the Secretary of State in payment of Council bills ; and that the Secretary of State would renew the whole outstanding £6,000,000 of India bills, raise further temporary debt in London to pay off the Indian Midland Railway's capital stock of £2,250,000 ; and complete the purchase of that concern by taking over the liability for its debentures. It was estimated that our closing balances would then be approximately 18·70 crores in India and 6 $\frac{1}{2}$ millions in London.

58. Here also, as in our Revenue account, the actual position has turned out much better than our forecast. We floated our small rupee loan last July at the favourable rate of a fraction over 96. The Secretary of State carried through the purchase of the Indian Midland Railway and raised, partly for that purpose and partly for future use,

£4,000,000 in India bonds, under promise to redeem them by annual drawings in eight instalments beginning from 1911-12. He has also reduced his floating sterling debt from 6 to 5 millions. Owing to the general strengthening of our resources, we count on remitting to England, from our treasury balances alone, no less than £23,500,000 in Council bills ; and we expect to close the year with roughly 18½ crores in our Indian account and 17 millions in London. So that our position at the beginning of next year will be unusually favourable. The high sterling balances maintained during the year explain the large Interest receipts to which I have already referred.

59. On the 1st of next April we estimate that our available cash balances, excluding the liquid gold held on behalf of the Gold Standard Reserve, will be £27,840,800 in India and England together. During the year the chief demands upon them will be as follows. The excess of current expenditure over current revenue, which is the net result of an Imperial surplus of £743,800 and Provincial deficits of £1,456,400, will be £712,600. The capital expenditure under our sanctioned Railway programme for the year will be £9,500,000, while for productive Irrigation it will be £1,266,700. The redemption of Madras Railway and Indian Midland Railway debentures, which fall in during the year, will absorb £1,776,200. The first drawings of the 1910 Bonds will require £500,000, and it is proposed to withdraw £500,000 of India Bills, thus reducing our floating debt to 4½ millions. To meet these requirements, we expect that £1,123,300 will be the available surplus of the net unfunded debt—service funds and savings bank deposits, etc.—in India, and £188,500 will be the net credit under a variety of deposit and remittance heads. The ample cash balances will be drawn upon to the extent of about £7,015,400 ; and the balance of our requirements, or £5,928,300, will be raised by borrowing, *viz.*—£1,333,300 or 2 crores, which will be the amount of our ordinary rupee loan in India, and £4,595,000 which the Secretary of State will float, partly on his own account and partly through Railway Companies. The closing balances will thus be 18½ crores in India and £8,322,200 in England exclusive of liquid gold held on behalf of the Gold Standard Reserve. The sterling balance is considerably higher than is usually required ; but it includes a large part of our excess Opium receipts which will be kept in hand for the redemption of temporary debt at suitable opportunities.

60. During the current year the Secretary of State has 'earmarked' £2,545,000 in London against the payment of bills from the Paper Currency Reserve silver in India. He will also invest £600,000 in gold securities on behalf of the Gold Standard Reserve from the proceeds of bills which we shall meet by drawing 90 lakhs from the silver branch of that reserve in India.

61. In 1911-12 it is the intention of the Secretary of State to draw bills upon our Indian Treasury to the amount of £15,825,000. As usual, he will sell additional bills so far as our resources may permit, if there is an effective trade demand for them. The foregoing announcements about loans and drawings are subject to the invariable reservations ; the Secretary of State and the Government of India having full discretion to vary the amounts mentioned above in any way and to any extent that may be thought advisable.

Exchange and Currency.

62. In Exchange matters, the fortunate year is that which has no history ; and such has been the case with 1910-11. The rate has been strong and reasonably steady throughout. After the enormous sales of Council bills at the end of last year, and the continued heavy demand through April, it was not unnatural that there should be a certain re-action ; and some slackening did take place in May and June. But it was only for a few days that the rate touched gold point, and there was never any anxiety. To the student of our trade statistics, this gratifying stability will require little explanation ; for at no time during the year has the balance of trade been otherwise than heavily in our favour. During the first quarter, from April to June 1910, the excess of our exports was strikingly high. The import trade was strong though not abnormal, except perhaps for the heavy arrivals of gold : but it was completely overshadowed by the exceptionally large exports, particularly of rice, seeds, and high-priced cotton. The total balance in our favour for the three months reached the unprecedentedly high figure of 22½ crores. In the second quarter, July to September 1910, the balance steadied down, as it always does at that season. The import of piece-goods increased notably, and large supplies

of sugar arrived : but the shipments of gold grew easier ; and on the other hand the export of rice, wheat, cotton and seeds continued very steady. In each of the three months the balance was favourable, and for the quarter the excess of exports was $7\frac{1}{2}$ crores. The third quarter of the year, October to December, was a little weaker. Piece-goods continued active, large quantities of sugar came in, and there were heavy imports of gold ; while the outward trade sagged a little in jute though it continued moderately firm for rice, cotton, wheat and seeds. The balance for the quarter was $5\frac{1}{2}$ crores in India's favour. The satisfactory promise of the rice crop, and the high prices ruling for cotton and opium, suggest that the present quarter will be about as good as were the three opening months of 1910 ; and the active demand for Council bills at the moment points in the same direction. If this expectation is realised, the year will have a remarkable record. Even in the first three quarters, as we have seen, the exports have exceeded the imports in value by $35\frac{1}{2}$ crores, a figure which has never been approached in the same period before ; and the result naturally has been a strong and favourable exchange.

63. It cannot have escaped the attention of those who are interested in such matters that, although the balance of trade in our favour between April and December 1910 was about 8 crores higher than in the same periods of 1905 and 1906, the amount of Council bills sold was considerably smaller. In spite of the many and obvious reservations with which it must be applied, the connection between the Secretary of State's drawings and the balance of India's private trade is a law of obvious generality. When therefore we find the balance to be $35\frac{1}{2}$ crores in our favour during a period in which the Council have sold bills for only $25\frac{1}{2}$ crores there is clearly some indication of a change in the ordinary routine of our external finance. There has no doubt been slackness in the money market owing in part to the year's requirements having been somewhat freely discounted by the unusually heavy remittances last March. But other causes must have been at work, and if the movement is not a merely temporary phenomenon its development may be full of interest.

64. Another remarkable feature of our trade requirements this year has been the striking economy in the use of our rupees. In previous years when our exports were being financed by heavy Council drawings and imports of sovereigns, the absorption of rupees was correspondingly high. In the last three years of normal exchange, for example, *viz.*, 1905, 1906 and 1909, the net loss of rupees from our Currency Reserve between April and December was 10 crores, 13 crores and 9 crores respectively. Between April and December 1910, so far from a large absorption, there has actually been a small net return of rupees from circulation. This entire reversal of the usual order of things has left us in an infinitely stronger silver position than the ordinary student of our financial system could ever have anticipated ; and I fear that it has been a grievous disappointment to those interests in the market which calculated on the Government of India being speedily compelled to resume the coinage of rupees on an extensive scale.

65. Closely associated with this unexpected strength in our currency reserve are two other notable features in the year's finance ; and with a few remarks on them I shall bring my speech to a close. The first is the relatively small import of sovereigns as compared with the gold bullion which has been coming into the country. During the first nine months of the year the total imports of gold in all forms was close on £10 millions in value, out of which less than £3 millions were in coin. Under conditions which we had come to regard as normal, virtually the whole of these £3 millions would have been presented at our Currency offices and treasuries, and exchanged for rupees. As a fact, the greater share of it does not appear to have come to us either directly or indirectly ; and it is believed to have passed straight into consumption. Combining this with the heavy absorption of gold bullion, I think we may assume that a change, slow it may be but of no small economic moment, is coming over the savings of the people. It is unsafe to speculate how far the coined gold which we import is working into active circulation ; but that a large quantity of hitherto inert silver currency has been brought into use during the last year or so, seems incontestable, and to that extent the necessity for further additions to our coinage from new silver has been averted.

66. The other point to which I wish to allude briefly is one that lends itself to more definite treatment. I refer to the gratifying increase in the use of our currency notes. I will give the net total of our paper circulation, for the last five years, after

eliminating the holdings in our Reserve treasuries and in the balances at the head offices of the Presidency Banks:—

<i>Net Circulation in crores.</i>	1906-1907.	1907-1908.	1908-1909.	1909-1910.	1910-1911 (Ten months).
Average	35.92	36.47	34.84	38.88	40.35
Maximum	38.89	38.14	36.85	42.66	41.96
Minimum	33.08	34.91	32.88	36.07	38.52

The steady upward march of these figures, barely checked by the serious depression of 1908, inspires me with considerable hope for the better organization of our currency and, may I say, of indigenous capital generally. Our new universal notes have, I believe, contributed materially to the growing popularity of our paper currency; some minor defects in their form, which have been brought to our notice, will shortly be removed; and the further extension of their use is being carefully considered. Meanwhile, the growth in the true circulation is so steady and assured that we now think it would be prudent to increase the fiduciary share in it, or in other words to enlarge that portion of the Currency Reserve which is held invested and not in actual coin. I hope therefore to introduce a Bill next week, which, if it becomes law, will enable us to raise the amount of securities included in the Reserve from 12 to 14 crores.

Conclusion.

67. In many respects the past financial year has been more akin to a normal year than any since I have been in India. We have been blessed with a bounteous harvest, peace has not been broken, trade has shown appreciable recuperation, financial returns have been good and, better than all, the dark cloud of internal trouble has lifted. We have much to be thankful for and we may reasonably anticipate in the coming year a continuance of divine favour.

The one cause for anxiety is the heavy loss of income which at no distant date we shall have to face through the loss of our opium revenue. I have no desire to dwell on the bitter controversy which in the past has raged around the opium traffic. We have accepted and we are loyally carrying out a policy which subordinates financial to ethical considerations. The Indian people will be called upon to make sacrifices in the interest of humanity. They are a sensitive and a sympathetic race inspired by lofty ideals and I dare prophesy that they will not shrink from bearing their share of the burden since it will contribute to the uplifting of a sister nation.

GUY FLEETWOOD WILSON.

The 1st March 1911.